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Report Views Christopher-Qian Meeting at ARF

BK0208142495 Singapore BUSINESS TIMES in English 2 Aug 95

[Report by Yang Razali Kassim in Bandar Seri Begawan: "Asean peace plans on track as US, China defuse diplomatic tension" — received via Internet]

[FBIS Transcribed Text] China and the United States held "frank and constructive" talks here yesterday and took a significant step towards halting the recent "freefall" in their bilateral relations.

In critical talks last night on the fringe of the Asean Regional Forum (ARF), US Secretary of State Warren Christopher and China's Vice-Premier and Foreign Minister Qian Qichen set the course for ties to get back to an even keel.

The indications, confirmed by both sides, were that Mr Christopher assured Mr Qian that Washington would not support Taiwanese independence and would oppose any Taiwanese bid to enter the UN. The US also reaffirmed the one-China policy without undermining Washington's unofficial friendly ties with Taiwan.

A Chinese spokesman told the media at a briefing at the end of the meeting: "We think today's meeting was useful." But he would not go so far as to say there had been a movement or a breakthrough, and added that it remained to be seen whether the US would match its words with deeds.

A senior US administration official said: "It was a positive and productive meeting, with a good tone."

Mr Christopher and Mr Qian agreed to meet for a second time in September, and also directed their deputies to meet in the interim.

Asia-Pacific foreign ministers from the 19-member ARF, who had been watching the stand-off nervously from the sidelines, pressed ahead meanwhile with concrete steps to manage regional peace.

The US-Sino diplomatic tension had nearly overshadowed the ARF meeting, which met yesterday for the second time since 1994. The ARF was formed to prevent potential conflicts such as the one between the US and China.

Prompted by a fear of a revival of old rivalries in the area, which could derail years of economic prosperity, the ARF foreign ministers, led by the Asean Seven, pushed ahead with a plan to strengthen the forum as the region's primary platform for security dialogue and cooperation.

To help manage future political and security problems among the regional powers — US, China and Japan — the ARF ministers adopted, almost wholesale, proposals by Asean on political and security cooperation.

Among other things, they agreed to exchange annual statements of defence policy, step up political and security consultations and direct their senior officials to start working out concrete plans.

Other key agreements were the formation of joint government working groups on confidence-building measures (led by Indonesia and Japan), peacekeeping operations (Malaysia and Canada) and search-and-rescue cooperation (Singapore and the US). The ministers agreed that Asean would be the driving force behind the ARF.

At the forum, Beijing was more conciliatory towards Asean. The Chinese were especially accommodating on its dispute with four Asean states over clashing territorial claims in the South China Sea. Mr Christopher noted that Beijing had taken a "constructive" posture on the Spratly issue.

Singapore Minister on ASEAN-EU Trade Links

BK0308065095 Singapore Radio Corporation of Singapore in English 1300 GMT 2 Aug 95

[FBIS Transcribed Text] Foreign Minister S. Jayakumar also spoke at the meeting [ASEAN post-ministerial conference]. He said the successful meeting of Asian and European leaders will set the pace for increased ties between the two regions. Over the next few months ASEAN and the European Union, EU, must cooperate to ensure the meeting builds greater understanding between their leaders.

Speaking at an ASEAN dialogue with the EU, Prof. Jayakumar said the private sectors of the two regions must push for economic links. He noted that European investments in the region have been falling.

Prof. Jayakumar said ASEAN would like to see joint ventures in Third Countries and the exchange of information between businessmen.

The foreign minister also said the world's major economies must support the World Trade Organization, WTO, for it to be effective. Mr. Jayakumar said the WTO's immediate task is to implement its various agreements. He added that the WTO should have foresight in dealing with the emerging issues. It should also help developing countries cope with the new and existing obligation to the trade body.

Thai Minister Defends ASEAN's Burma Policy

BK0308085995 Bangkok THE NATION in English 3 Aug 95 p A3

[FBIS Transcribed Text] Foreign Minister Kasemsamoson Kasemsi yesterday told ASEAN members and their dialogue partners that Aung San Suu Kyi's release was not the result of Western pressure but reflected the Burmese military junta's confidence it could maintain control.

Kasemsamoson also defended ASEAN's constructive engagement policy with Burma and warned that the continued application of pressure by the West would work against the national reconciliation process in the country.

Trade and arms sanctions like those applied to Bosnia-Herzegovina should not be used on Burma as there was no guarantee that Burma's State Law and Order Restoration Council (SLORC) would bow to the pressure, Foreign Ministry spokesman Suwit Simasakun quoted Kasemsamoson as saying.

"No one can guarantee that if the sanctions are applied to Burma and the SLORC, the SLORC would kowtow to that pressure," Kasemsamoson was quoted as telling ASEAN and its seven dialogue partners.

The Burmese should be allowed a chance to reconcile among themselves without interference by outsiders, he said.

ASEAN foreign ministers yesterday began sessions with their dialogue partners including the United States, Australia, Japan, New Zealand, the European Union and South Korea.

The political situation in Burma was a major point raised in the international meetings. The military junta has been criticized for not giving up administrative power to the National League Democratic (NLD) party which won the general elections in 1990.

In a surprise move, the SLORC in early July released Aung San Suu Kyi, the leader of the NLD party, from nearly six years under house arrest.

ASEAN has vowed to continue what it calls a policy of constructive engagement with Burma.

"The release of Aung San Suu Kyi happened not because of pressure from the West and other countries but because the SLORC is sure that it can now handle the situation," Kasemsamoson said.

Kasemsamoson told the conference that no country, including immediate neighbour Thailand, actually knows Burma, which has its own cultural background and way of thinking.

"ASEAN has never expected rewards from the release of Aung San Suu Kyi or said that her release was the result of the constructive engagement policy. Other countries should be aware that despite her release, Burma still has internal problems, Suwit quoted Kasemsamoson as saying.

Kasemsamoson added that one of the most important points to consider now was how to help the Burmese people.

ASEAN dialogue partners yesterday also praised Suu Kyi's release, but said they would wait to see if there are subsequent improvements in Burma.

Kasemsamoson's remarks on Burma were apparently in response to Australian Foreign Minister Gareth Evans' remarks that recent political developments in Burma represented only one of ten bench marks for progress proposed by Australia to the ASEAN ministerial meeting in Bangkok last year.

Australia also called for the release of political prisoners in general, International Red Cross access to prisons, and broad engagement of elected members of parliament in the process of drafting a constitution.

France Encounters Protest at Meeting

BK0308082895 Bangkok THE NATION in English 3 Aug 95 p A6

[Report by Kunlachada Chaiphiphat, Marisa Chimprapha]

[FBIS Transcribed Text] Bandar Seri Begawan — There was a unanimous protest yesterday by ASEAN and most of its seven dialogue partners against French persistence is resuming nuclear testing in the South Pacific.

French Deputy Foreign Minister Miche Banier arrived at a Post Ministerial Meeting here yesterday and came face to face with an anti-nuclear protest led by Australian Minister for Foreign Affair and Trade Gareth Evans, Indonesia Foreign Minister Ali Alatas and Japanese Foreign Minister Yohei Kono. They condemned the action as a betrayal of the signatories of the Non-Proliferation Treaty (NPT).

Banier told reporters he flew to Brunei to listen to the concerns of countries in the region about the testing and explain that the process would cause no harm to the environment or endanger lives.

Chinese Foreign Minister Qian Qichen had already left Brunei after feeling the strong international dissent against China's own nuclear testing in May. China was not present yesterday. ASEAN's dialogue countries are the European Union, Canada, the United States, Australia, New Zealand, Japan and South Korea.

"Australia is very concerned that the actions of China and France will have an adverse effect on the NPT and other disarmament programmes. Their actions have betrayed the trust of many countries particularly those in the NAM (Nonaligned Movement)," Evans said.

Moreover," he said, "continued nuclear testing represents a potential threat to the negotiations for Comprehensive Test Ban Treaty (CTBT), which is entering a crucial stage in Geneva.

Indonesia's Ali Alatas told the conference that it was a mistake for NPT signatories to endorse the treaty aiming at an indefinite extension because certain nuclear powers had now broken that trust.

Other ASEAN foreign ministers yesterday reiterated their call in a joint communique and the Chairman's Statement of the ASEAN Regional Forum calling for an immediate end to testing and an early conclusion to the CTBT by mid-1996.

Alatas summed up the mood of the meeting by saying it was dominated by the feeling of deep disappointment and the breach of trust that had been developed during the NPT review conference.

He told the press it was a question of causing a negative environment in ASEAN. "ASEAN has serious misgivings about the resumption of testing by one country and the intended resumption by another.

"We have been fortunate to have the French deputy foreign minister here to state the French position. China is not here," Alatas said. "France actually participated in the moratorium, the NPT review conference. It was France that broke its word."

Alatas said Japan also took the floor and made a strong case against the testing resumption because it had been a victim of two nuclear bombs.

EU Council President and Spanish Foreign Minister Javier Solana tried to assure the PMC forum that the testing is within international standards and is environmentally safe.

France Pleads Case at ASEAN Meeting

BK0308065795 Hong Kong AFP in English 0639 GMT 3 Aug 95

[FBIS Transcribed Text] Bandar Seri Begawan, Aug 3 (AFP) — France took its case on nuclear testing in the South Pacific before a sometimes hostile press corps Thursday at the close at the annual ASEAN meetings here.

Asked why France was going ahead with a series of tests from September despite the international outcry, French minister Michel Barnier said the tests were necessary to ensure that France's nuclear deterrent was "safe and reliable."

He acknowledged the general opposition to the test program, but said: "This is not going to change France's decision."

Barnier, the minister-delegate for European affairs, was also given a hard time in a series of meetings with ASEAN ministers and their international partners.

But it was Australian Foreign Minister Gareth Evans who led the charge, both in the formal sessions and in his statements on the margins of the annual conference.

Barnier and Evans had a 45-minute meeting Wednesday night, which Barnier said had been "cordial and frank." Evans described it as "interesting" and suggested Barnier had been "lecturing" him.

"I am not trying to preach, but I don't want Australia or other countries to preach either," Barnier told reporters.

France was aware of the concerns of other nations, but "this is not going to change France's decision," he said.

Asked about tensions between the two countries and France's decision to recall its ambassador from Canberra for consultations, Barnier said Paris "wants to maintain contacts as much as possible."

Noting that France had recently published a list of its nuclear weapons tests, Barnier said: "It would be nice if the other nuclear powers were equally open.

Singapore's Jayakumar Sums Up Meetings

BK0308113695 Singapore Radio Corporation of Singapore in English 1000 GMT 3 Aug 95

[FBIS Transcribed Text] Foreign Minister S. Jayakumar says ASEAN is moving faster than expected toward its vision of a united 10 Southeast Asian countries. Summing up the ASEAN ministerial meeting in Brunei, he said after Vietnam's entry as the seventh member, it became clear that the vision may be realized sooner. Laos had already said it would join ASEAN in 1997 and Cambodia is expected to join around the same time.

Professor Jayakumar said the expansion of membership offers opportunities and challenges. He said there is immense potential in a community of 500 million and some of the world's fastest growing economies. The challenge is how a large ASEAN can stay nimble to respond quickly to fast-moving events in the world. Professor Jayakumar said ASEAN must continue to play a leading role in regional and international affairs.

On the ARF [ASEAN Regional Forum], Professor Jayakumar said this year's meeting saw the candid exchange of views on issues like nuclear testing and the South China Sea dispute. As for future meetings, he said it would depend on how comfortable the participants feel with each other. He hopes that the ARF members can move into more focussed discussions.

During the meeting, ASEAN and Japan expressed support for the continued U.S. military presence in Asia. They said this would help preserve Asia's stability. Japan's Foreign Minister Yohei Kono said the U.S. presence had also contributed to the region's economic growth. U.S. Secretary of State Warren Christopher, on his part, said Washington will continue to station some 100,000 troops in Asia.

The ASEAN Post Ministerial Conferences ended today. Indonesia will host the next ASEAN ministerial meeting.

Brunei Minister Closes Post Ministerial Meeting

BK0308155095 Bandar Seri Begawan RTB Sukmaindera Television in English 1300 GMT 3 Aug 95

[FBIS Transcribed Text] The Post Ministerial Conference, PMC, between ASEAN and its dialogue partners ended today. His Royal Highness Prince Mohamed Bolkiah, minister of foreign affairs and the chairman of the 28th ASEAN Ministerial Meeting, was present at the closing ceremony which was followed by a press conference.

In his brief closing remarks, His Royal Highness noted that ASEAN now covers every aspect of cooperation with its friends and partners. The Post Ministerial Conferences have been going on for almost 20 years and have now included seven countries [as heard]. Over the years, the dialogue process has acquired greater importance and promoting a better understanding of issues brought about by rapid changes in the world environment. Besides discussing divergent interests, the dialogues now place emphasis on shared interests and objectives in addressing global challenges.

On economic cooperation, the dialogue partners have also been providing assistance in the implementation of various development projects which are increasingly directed at promoting economic objectives. In the just-concluded PMC, ASEAN also requested the dialogue partners to be more forthcoming in their response to ASEAN concerns on trade, investment, and market access issues. ASEAN continues to place great value on the PMC and the expansion with the establishment of the ASEAN Regional Forum accords both parties even greater importance and more opportunities to discuss substantive issues. The PMC also allowed to explore many areas not covered in other meetings.

The PMC also discussed the recent developments in the South China Sea apart from debating the situation in Bosnia-Herzegovina. In this respect, ASEAN called on the UN and NATO to protect, defend, and secure the life lines to all safe areas, in particular Sarajevo. ASEAN also supported the continuing of UNPROFOR [United Nations Protection Force] in Bosnia-Herzegovina. ASEAN supports the lifting of the arms embargo against the Bosnian Government.

On nuclear testing in the Pacific, ASEAN expressed their concern and called for an immediate stop. The two-day PMC was held in a traditional spirit of friendliness, partnership, and cooperation.

Malaysia Outlines Entry in Euro-Asian Summit

BK0308043695 Kuala Lumpur THE STAR in English 3 Aug 95 p 2

[FBIS Transcribed Text] Asian participation in the Asia-Europe meeting (Asem) must come from Asian economies, Foreign Minister Datuk Abdullah Ahmad Badawi said.

He said Malaysia did not have problems with Australia and Canberra's exclusion from the February Asem summit should not be construed as Kuala Lumpur's revenge over that country's opposition to the East Asia Economic Caucus (EAEC).

"Australia's participation has nothing to do with improving relations with Kuala Lumpur. My relationship with (Minister) Gareth Evans is very good.

"There is no such thing as you did this to me and now it is my time to do it to you. Never... we have never thought like that. In fact, Evans and I did not speak about the EAEC when he met me on Sunday," he said.

Replying to continuous questions from the floor from the Australian press over Canberra's status in Asem, Abdullah repeatedly said ASEAN had reached a consensus to limit the participation to 10.

"There are others who are more Asian and want to be in, like India and Pakistan. This is the Asian-Euro meeting. Not an ASEAN meeting," he added.

When a journalist repeatedly asked whether Australia was in Asia, Abdullah replied:

"Australia is not an Asian country. They want to be close to Asia as we understand. Or else why call Australia a continent?"

EU Council President Javier Solana said the EU did not have an opinion on whether Australia and New Zealand should be included as it was up to ASEAN to decide on the Asian participation, while the EU would take care of entries on its side.

Japan's Foreign Ministry director of International Affairs, Takeshi Nakane, said Japan wanted New Zealand and Australia to be accepted as participants before India and Pakistan.

He said Canberra and Auckland were closer Asian partners than India and Pakistan besides being APEC [Asia Pacific Economic Cooperation] members.

Japan's Kono Leaves Brunei for Tokyo

OW0308074095 Tokyo KYODO in English 0730 GMT 3 Aug 95

[FBIS Transcribed Text] Bandar Seri Begawan, Aug. 3 KYODO — Foreign Minister Yohei Kono on Thursday [3 August] left this Bruneian capital for Tokyo after attending annual ministerial talks between the association of Southeast Asian Nations (ASEAN) and its seven dialogue partners.

Kono is scheduled to arrive at Haneda Airport the same day night.

He attended a one-day meeting of the ASEAN Regional Forum (ARF) and a two-day conference of foreign ministers from ASEAN and its seven dialogue partners.

Kono also held separate talks with foreign ministers of Australia, Brunei, China, Indonesia, South Korea, Russia, the United States and Vietnam.

Japan

Fuji-Kodak 'Information War' Fought on Internet

OW0308085995 Tokyo EKONOMISUTO in Japanese 8 Aug 95 p 38

[FBIS Translated Text] A severe information war in the film field is raging between Eastman Kodak Company, of the United States, and Fuji Photo Film Co., Ltd. Film has become the next battleground for trade friction between the U.S. and Japan, following automobiles and auto parts.

It is widely held that the announcement made on the evening of 3 July by the U.S. trade representative (USTR) and Kodak of the launching of a Section 301 investigation [into alleged anticompetitive trade practices in Japan's film market] was timed to just make the deadlines of Japanese newspapers, so as to keep Fuji's rebuttal from making it in time. This was done to give Japanese consumers the one-sided impression that Fuji is in the wrong.

Nevertheless, Fuji's refutation that "its Japanese film and photosensitive materials market share is the result of free competition and completely unrelated to government approvals or licenses" was duly noted in the 4 July morning editions.

From its headquarters in Japan, Fuji Film followed the progress of the press conference in the U.S. in real time via an AP-Dow Jones contract circuit. Fuji got the better of the situation by drafting employees proficient in English into providing a translation on the spot, then turning around and faxing a rebuttal to the Japanese and U.S. mass media.

Subsequently, the U.S. mass media asked Fuji Photo Film Co. questions by international telephone which arose over Kodak's information; Kodak had put on the Internet a massive amount of information presenting its position in the best light. American reporters, therefore, decided to call Fuji directly to confirm the information.

For Fuji, this was an occasion to see just how extensively the Internet is being used among U.S. intellectuals. It, too, is on the "Net," but cannot come up with a "home page" right away. As such, it is now racing to reposition itself on the Internet.

Inquiries are pouring in to Fuji from the public relations offices of other Japanese companies asking how it responded when it became a target of the United States.

Kodak-Fuji Tieup for New Film Format Viewed

OW0308101095 Tokyo YOMIURI SHIMBUN in Japanese 31 Jul 95 Morning Edition p 9

["Yomiuri Economic News" column by Ikuya Shigeta and Yukiko Morita: "Dispute and Joint Development"]

[FBIS Translated Text] The photo film industry is currently in the throes of a big dispute, although the world film market has long been controlled by only four major companies. Eastman Kodak Co. of the United States, the world's biggest film manufacturer, has filed a business practice complaint against the second largest, Fuji Photo Film Co., under the terms of the Section 301 provision of the U.S. Trade Act of 1974 (which provides for the U.S. president to impose trade sanctions in cases of unfair trade practice). Following this, the U.S. Trade Representative's Office (USTR) started an investigation early this month.

Despite this, however, the Big Two, Kodak and Fuji, are going to jointly adopt a new film format for the first time in six decades. Relations between the two companies are very mysterious, just as if two men were to shake hands and try to punch each other at the same time. This article analyzes the mysterious moves of the Big Two, who share 75 percent of the world market, to confirm whether they are pursuing a revolution to revitalize the industry, or just a fruitless strategy.

Rebates In Question

A photographic shop owner (aged 50) in Itabashi, Tokyo, said he received a wholesale price list of photographic film by mail from a wholesaler in Tokyo every month, even though he had never asked for it. He buys Fuji films, retail price 529 yen, (ISO 100, 24 exposures) from an authorized wholesaler at 363 yen, but the unauthorized wholesaler offers 290 yen. Moreover, Fuji films re- imported from the ROK are available at 176 yen.

The independent wholesaler is not affiliated to any film manufacturer, and calls itself "Japan's cheapest film wholesaler." The film shop owner said "the manufacturer gives rebates to retailers dealing with authorized wholesalers, but the rebates no longer have significance because discounters are destroying market prices."

Kodak claims Fuji is violating the Anti Monopoly Law because Fuji's rebates are highly progressive and Fuji's strong control over wholesalers virtually excludes other companies from the market.

What, then, are the actual rebate practices? A major wholesaler specializing in Fuji films said: "When several thousand rolls of film are sold to retailers, Fuji issues rebates of not more than 10 yen per unit to the wholesaler. The wholesaler usually give the rebates to the retailers after taking some commission." But profits from dealing with independent wholesalers are much higher than the rebates, as they sell films 60-70 yen cheaper than authorized wholesalers.

Such discounters presently only deal with the larger retailers and shops in urban areas, only a little over 10 percent of the 280,000 film shops in the nation. Most film shops are located in tourist spots, where discount is unnecessary, or rural areas not involved in the recent discount boom called price destruction. The manufacturer's sales rebates still have significance for them.

Kodak says Fuji film is sold at almost all of the 280,000 retail stores in Japan, but only 15 percent of them deal with Kodak film. Kodak insists this is because four major film wholesalers, who have about a 70 percent share of the Japanese film market, deal only with Fuji. The four wholesalers have the greatest share in areas with less price competition. Misuzu Industries Co., one of the four wholesalers, has an overwhelming share in station stalls.

Misuzu Chairman Masao Fujimori said: "Fuji has never ordered us to blackball Kodak." However, it was recently known that Fuji issued written pledges to retail stores to promise bonuses to stores achieving sales objectives. Future development of the dispute over interlocking ties between Fuji and the wholesalers is still uncertain. Illegal control of the distribution market is often very hard to prove unless law enforcement authorities deal with it seriously. Kodak criticized the Japanese Fair Trade Commission for "doing nothing" (as noted by Charles Lake, attorney serving as Kodak's legal representative). The Section 301 sanctions might be too drastic a measure, but it was the easiest way for Kodak to settle the problem.

APS Format Ignores Consumers

Kodak and Fuji are jointly developing a new film format called advanced photo system (APS) in a tie-up with three camera manufacturers — Canon, Nixon, and Minolta. Other companies will have pay a license fee to the developers to join the APS group.

The main features of the APS format are that it is smaller than 35mm film and will be cartridge-loaded for easier replacement. This is the first major photographic film format revision since 1936, when Kodak released the 35mm film it had developed.

A source in the film industry said development of the APS format has been largely carried out by Kodak. Why, then, did Kodak make it a five-party project? Chiba University Professor Iwao Ogura (who specializes in photographic engineering) feels Kodak decided to share the project because of its "bitter experiences" in failing to popularise the "110" format and other new film formats it has developed. As a result, Kodak believes the APS format is more likely to be accepted by the market if its biggest rival, Fuji, takes part in the development project. On the other hand, an industry watcher said: "Fuji and Japanese camera makers are suffering from a sales slump due to the dull demand from the ripe 35mm market. They decided to tie up with Kodak because the new film format could become the answer to breaking the deadlock."

Although the new format has been determined in "international collusion," however, it does not give consumers adequate consideration. The developers have failed to make clear neither its size, nor possible problems in definition quality. In the circumstances, nobody can tell if the APS format really can replace the 35mm format in the future.

Developers say their secretive development of APS is to "protect the interests of companies that adopt the format on license." However, they actually have no enemies because almost all film and camera manufacturers are going to join them. Even a camera manufacturer joining the development project criticized the attitude of the film makers, saying: "If we were consumers we would have not accepted such an attitude."

Maintenance of Profitable Market

"Antagonism" in the Section 301 and "bid-rigging" in APS — the key words that connect the two conflicting realities are "maintaining a profitable market," which sums up the policy being pursued by the Big Two film makers.

According to an estimate, Agfa-Gevaert Ltd. of Germany, the No.4 film maker in the Japanese market, expanded its market share in Japan from 1 to 5 percent last year. Agfa boosted sales in Japan last spring under a private brand (PB) sold by the Daiei supermarket chain. The Agfa film was widely accepted in the market because of the price destruction boom.

However, neither of the Big Two want to see the downward movement of retail prices continue. Fuji's sales and profits declined in the first quarter of this year, and a Fuji official said: "The major reason is the sales slump caused by price destruction." Fujimori said: "Smaller wholesalers and retail stores cannot survive if the situation is left as it is."

Kodak, meanwhile, is wary of Fuji's rapid growth in the U.S. market. Fuji is reinforcing sales efforts in the

United States that began when it became an official sponsor of the 1984 Olympic Games in Los Angeles. Within this year, Fuji will start operating its own print paper factory in the United States.

Following Agfa, Kodak started in January to produce a PB film to be sold by the Japan Consumers Cooperative Union [Co-op]. Co-op officials said: "It was hard for us to agree with Kodak on the price." The Big Two are still pursuing their basic strategy of maintaining their highly profitable market.

The introduction of the APS format may broaden the gap between the Big Two and the next largest film makers, such as Agfa and Konica, because the APS license fee will become a steady financial resource for the Big Two. Professor Ogura said: "Kodak says the license fee will be set at about 2 percent (of sales), but its final goal is to maintain its control over the oligopoly market."

Does the Kodak and Fuji strategy benefit consumers? The price trend survey by the government in March said, when the retail price of film was 100, the figures in Paris and New York were 140 and 103, respectively.

While the United States said a settlement of the auto trade dispute would benefit Japanese consumers by increasing the number of cheaper auto parts, that logic does not fit the film market. If the oligopoly over the market is further intensified, consumers may be placed under control of the Big Two.

The Big Two must stop their dispute and collusion overriding the good of consumers. They must restructure their management strategies to offer better products in the price destruction era.

Kuriyama Scolds Diplomats for 'Easy Perception'

OW0208112895 Tokyo SHUKAN DAIYAMONDO in Japanese 5 Aug 95 Weekly Edition p 15

[Unattributed article: "Concern of Ambassador Kuriyama Who Scolded Bureaucrats in Presence of Industry People"]

[FBIS Translated Text] The auto dispute may have been resolved, but there is a big stack of pending issues between Japan and the United States, including those on film and software.

At a meeting of the "Forum To Study Japan-U.S. Economic Relations" held in New York in mid-July, Ambassador to Washington Takakazu Kuriyama gave a good "scolding" to Japanese diplomats in the United States over their "easy perception."

This forum may have the expression "Japan-U.S." in its name, but it is actually an internal event for Japanese Government officials of the embassy and consulates and top executives of Japanese-invested companies in the United States to get together for talks. It used to be called the "Japan-U.S. Government-Private Sector Joint Trade Conference," but that name has been changed. This meeting was its 31st.

Besides Ambassador Kuriyama, the meeting was attended by Atsushi Tokinoya, director of the Foreign Ministry North American Affairs Bureau; Koichi Haraguchi, director of the ministry's Economic Affairs Bureau; and 36 major companies' top executives, including Masayoshi Furihata, chairman of the Japan Chamber of Commerce in New York (president of U.S. Mitsui Corporation).

The meeting concluded after adopting what looked to be a redundant "joint chairmen's statement." According to some people who attended, a debate, which followed after clearing all the reporters out of the room, was conducted in a rather tense mood. When all consuls made easy-going reports saying "as far as our areas are concerned, Japan-U.S. relations are going well," the scolding flew out of the ambassador, who is known for being gentle.

He told the consuls: "The Japan-U.S. relationship is in a substantially critical condition. It is time we must actively explain to the United States that Japan has changed."

Now, over the film market liberalization issue, Eastman Kodak Company is putting pressure on Fuji Film Company, with the help of the U.S. mass media. Ambassador Kuriyama is said to be very much concerned about Japan being slow in getting information on such issues.

Shall we say that the ambassador, who is rumored to be leaving his post after serving out this year, is now very much worried about the Foreign Ministry bureaucrats' easy-going thinking?

France Offers To Reduce Nuclear Tests

OW0208113295 Tokyo TOKYO SHIMBUN in Japanese 27 Jul 95 Morning Edition p 1

[FBIS Translated Text] The French Government, which announced the resumption of nuclear tests on Mururoa Atoll in the South Pacific in September, has notified the Japanese Government that "it is possible for France to reduce the planned eight nuclear tests to three or four." A government source disclosed this on 26 July. The prevailing view is that the French Government has made the offer in a desperate bid to placate the Japanese Government, which has vehemently opposed France's resumption of nuclear tests.

In response, the Japanese Government is reiterating its call for France to restrain the nuclear tests and cooperate for an early conclusion of the Comprehensive Test Ban Treaty (CTBT) from the position that "even if the planned nuclear tests are reduced to three or four, it would be difficult to win the understanding of the Japanese people" (says a government source).

French President Chirac announced France's resumption of nuclear tests at a 13 June news conference. At the news conference, the French president said: "France will resume its underground nuclear tests in September and conduct eight underground nuclear tests through next May." At the Japan-France summit with Prime Minister Murayama, which was held in Paris on 19 June, the French president is said to have sought to win the Japanese prime minister's understanding by saying: "France will have to conduct at least eight nuclear tests to secure the simulation of a nuclear laboratory."

Later, the French Government notified the Japanese Government through diplomatic channels, saying: "We have learned that it is technically possible to reduce the planned eight nuclear tests to three or four." It seems that there is no change in the French Government's plans to conduct the nuclear tests through next May. If the number of tests is lessened, the intervals between nuclear tests would be widened compared to the planned eight tests.

Editorial Views Tokyo's Antinuclear Campaign

OW0208115595 Tokyo ASAHI SHIMBUN in Japanese 20 Jul 95 Morning Edition p 5

[Editorial: "The Government Takes First Concrete Step Toward Halting Nuclear Tests"]

[FBIS Translated Text] About one month has passed since French President Chirac decided to resume France's nuclear tests. At long last, the Murayama government has announced a concrete step toward protesting the French nuclear tests. The concrete step means that Japan will submit to the United Nations a draft resolution calling for a halt to nuclear tests and an early conclusion of the Comprehensive Test Ban Treaty.

The resolution calling for a halt to nuclear tests has continued to be adopted at the UN General Assembly [UNGA] since the fifties. Every year, Japan has participated in adopting the resolution as a cosponsoring nation. The draft resolution, which the government plans to work out, focuses on an immediate halt to nuclear tests, taking into account the nuclear tests to be conducted by China and France.

Looking at Australia and New Zealand, where both the governments and citizens have continued to wage strong campaigns against the French nuclear tests, we cannot help but say that the concrete step has come too late as an action of the government of Japan, which was hit by atomic bombs.

The three ruling parties have feared that the government's ambiguous attitude toward the French nuclear tests would be criticized by voters in the upcoming upper house election. The three ruling parties were highly likely to have urged the government to announce the concrete step for fear of the voters' criticism.

Apart from whether the motivation and background are wrong or right, we would like to applaud the government's plan to submit to the United Nations such a draft resolution calling for a concerted international step against the nuclear tests.

All UNGA resolutions have been legally binding. Speaking at a recent European Parliament session amid a torrent of protests against the French nuclear tests, President Chirac stressed that "France cannot withdraw its decision to resume its nuclear tests." If Australia and New Zealand join Japan as cosponsoring nations in submitting the draft resolution to the United Nations and if Japan succeeds in winning broad-ranging support from seven nations in the European Union that object to the French nuclear tests and nonnuclear nations, this would certainly become pressure on the Chirac government.

An indefinite extension of the Nuclear Nonproliferation Treaty has granted five nuclear powers "privileges." Japan's introducing the draft resolution to the United Nations could be a new means to publicize nonnuclear nations' intention to urge the five nuclear powers to work for disarmament and restrain nuclear tests.

Until now, the Japanese Government has been weak-kneed out of consideration for a potentially adverse impact on Japan-France relations; Japan's need to take a balanced attitude toward both France and China, which have continued nuclear tests; and Japan's position of depending on the U.S. nuclear umbrella. It may be safe to say that the three ruling parties' political calculation has slightly changed the government's irresoluteness.

Japan's introduction of the draft resolution to the United Nations alone does not mean the fulfillment of Japan's international responsibilities. The government should think about this.

Another point is that we wonder if the feelings of the Japanese people, who hate nuclear weapons, are being seen as ugly in the eyes of the world in this year that marks the 50th anniversary of the dropping of atomic bombs on Japan.

A French Government official described the reaction of the Japanese public to France's decision to resume nuclear tests as "moderate" compared to that of Australia. The Japanese people have not been so fiercely enraged at China's continued nuclear tests that their rage has been known to the Chinese Government and the international community.

Cynically, people in other nations may take antinuclear feelings among the Japanese far less seriously than they do. A call by Finance Minister Takemura for a boycott of French products has made bigger news in the United States and Europe than in Japan because if the call is put into effect, French firms producing the products subject to Japan's boycott would suffer damage.

A systemic civic campaign to boycott French products may trigger an emotional confrontation between Japan and France. There are various ways for the Japanese to voice their objection to the French nuclear tests and the government will be unable to conduct antinuclear diplomacy without the support of public opinion at home.

Last year, Japan managed to get the United Nations to pass a resolution calling for an eventual abolition of nuclear weapons. Japan should not neglect to show the world its efforts to pave the way for eventual abolition of nuclear arms.

As an economic and technological power without any nuclear weapons, Japan should vigorously work to strengthen the nuclear nonproliferation system and build Asian-Pacific confidence in the system. We hope that Japan will seize every opportunity to move forward step-by-step.

Kono, ROK's Kong Meet on Bilateral Relations

OW0308034895 Tokyo KYODO in English 0239 GMT 3 Aug 95

[By Miu Oikawa Dieter]

[FBIS Transcribed Text] Bandar Seri Begawan, Aug. 3 KYODO — Japanese Foreign Minister Yohei Kono and South Korean Foreign Minister Kong No Myong agreed Thursday [3 August] to make joint efforts to build future-oriented relations while squarely facing the past, a Japanese official said.

Kono and Kong also agreed that the two countries should continue close cooperation in an international project to replace North Korea's nuclear reactors with safer ones, the official said.

During a breakfast meeting at a hotel in Brunei, Kono pointed out that there are various debates going on concerning Japan's wartime role during the 50th anniversary of the end of World War II but that Japan wants to cooperate with South Korea to build future-oriented relations while confronting past history.

Kong agreed with Kono that Tokyo and Seoul should work to establish such ties between the two nations, the official said.

On North Korea, the foreign ministers agreed that Japan, South Korea and the United States should continue close consultations on the activities of the international consortium Korean Peninsula Energy Development Organization (KEDO), aimed at providing North Korea with light-water nuclear reactors.

KEDO, launched by the U.S., South Korea and Japan in March, is expected to begin talks with North Korea in September to provide two light-water reactors to Pyongyang to replace its graphite-moderated reactors.

Kono and Kong also agreed that North Korean de facto leader Kim Chong-il seems to be in control of that country's domestic politics with nobody challenging him.

Regarding Japan's bid to resume negotiations to normalize relations with North Korea, Kono told Kong that Tokyo and Pyongyang are making contacts but that specific timing of the talks is not yet set.

Japan wants to maintain close contact with South Korea on the Tokyo-Pyongyang talks, he was quoted as saying.

Auto Parts Makers Eye Joint Ventures in PRC

OW0308110295 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Jul 95 Morning Edition p 13

[Report filed by Mitsuyoshi Fujiga]

[FBIS Translated Text] Beijing, 24 Jul — The "Japan-China Automobile Industry Development Exchange Association" meeting began in Beijing on 24 July, and the Chinese Government declared that in its ninth five-year (1996-2000) plan there are measures focused on nurturing the capability of producing 60 key automobile parts. As for the Japanese finished automobile makers who have set their sights on joint-venture manufacturing of passenger cars, to include, Toyota and Nissan, the Chinese Government made its position clear that prior to selecting a cooperation agreement it would closely scrutinize contributions to its automobile parts industry. In order to penetrate the Chinese market, Japan is faced with revising the technology transfer and joint venture strategies involving those parts makers that belong to the keiretsu [interlocking company] system.

Dong Yiru, director of the Automotive Department, ministry of machine-building industry, responsible for China's automobile industry policy, stated, "The government will give preferential support to the production of the approximately 60 key parts." In desiring to set up joint-venture enterprises with prominent foreign corporations, Dong said, "This presents Japanese firms with a good opportunity to expand into China," hinting that contributions to China's parts industry would be the key to getting these contracts.

The government has not clearly specified which parts have been designated as key; however, no doubt included are those not being produced domestically that typically make up 50 to 60 percent of the cost of a finished automobile, such as air bags and anti-lock brake systems (ABS). The program laid out in the ninth five-year plan will take a nucleus of 150 part makers and focus on fostering their technological development. Its aim is to raise their level of technology to the international standard of the early 1990's via such means as introducing computer aided design and development systems.

Last summer [1994], the Chinese Government spelled out a plan to allow the startup of new foreign-capitalized companies after 1996 on the condition that the finished automobiles contain more than 40 percent locally produced parts. In addition to the joint venture to manufacture engine parts between Honda and China's Dongfeng auto company, which begins operation this fall, Toyota, Nissan, and Mitsubishi are also proposing joint ventures to produce engines.

However, European and U.S. manufacturers are also bidding to assemble finished automobiles, and no decision has been made yet in choosing China's partners.

Many automobile part makers feel that "if the Chinese Government does not allow finished automobile makers to participate in joint venture manufacturing, then the risk of entering the Chinese market is excessive." Japanese companies are faced with a tough decision in knowing how to respond to China's demands.

Igarashi Cites on Resuming Loans to Burma

OW0308101495 Tokyo KYODO in English
1003 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — Japan may start extending official yen loans to the military-run Myanmar [Burma] in the wake of the junta's recent release of pro-democracy leader Aung San Suu Kyi from house arrest, the top government spokesman suggested Thursday [3 August].

Chief Cabinet Secretary Kozo Igarashi told a news conference that Japan will explore the possibility of resuming Official Development Assistance (ODA) to Myanmar, taking into consideration the nation's democracy and human rights situation.

Touching on objections by Japan's Western partners and other nations to an early resumption of loans to Myanmar, Igarashi said it was simply "unavoidable" if Tokyo took a different policy.

"We are dealing with the issue in our own way," Igarashi said.

Japan suspended ODA to Myanmar after the military coup in 1988 and has limited assistance to small-scale humanitarian aid.

In March, Tokyo extended 1 billion yen in food aid to minority groups in Myanmar, ostensibly to relay a message to Yangon [Rangoon] to make further efforts toward democracy and to improve its human rights records.

Foreign Minister Yohei Kono, in a meeting with Myanmar Foreign Minister Ohn Gyaw in Brunei earlier this week, also hinted that Japan would resume ODA to Myanmar.

Ceiling for ODA Budget Set at 7 Percent

OW0308080395 Tokyo KYODO in English
0725 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — The ceiling for growth in the budget for Japan's Official Development Assistance (ODA) in fiscal 1996 has been set at 7 percent, the lowest level ever, Finance Minister Masayoshi Takemura said Thursday [3 August].

Takemura said he agreed on the 7 percent ceiling for growth in the ODA budget for the next fiscal year staring in April with Foreign Minister Yohei Kono on the telephone.

Kono is in the Bruneian capital of Bandar Seri Begawan to attend a meeting of Association of Southeast Asian Nations (ASEAN) members and their partners.

The government is scheduled to set a ceiling at Friday's cabinet meeting for budget requests by government ministries and agencies.

Murayama Welcomes Exchange Rate Intervention

OW0308071795 Tokyo KYODO in English
0529 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — Prime Minister Tomiichi Murayama on Thursday [3 August] welcomed the concerted intervention in the

New York foreign exchange market by Japanese and U.S. monetary authorities.

Murayama said, "Easing regulations on overseas investments and loans (by Japanese investors) from a long perspective and joint intervention will do good to reverse the yen's course."

Following an announcement by Finance Minister Masayoshi Takemura on Wednesday of measures to encourage investments and lending abroad by Japanese institutional investors, the joint intervention by the central banks of the two countries pushed the dollar up to 91 yen in New York.

Shinozawa: Exchange Rate in 'Orderly Reversal'

OW0308101995 Tokyo KYODO in English
0943 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — Vice Finance Minister Kyosuke Shinozawa said Thursday [3 August] foreign exchange rates are in the process of an "orderly reversal" of the yen's surge, as agreed in April by top financial officials of the Group of Seven (G-7) major nations.

Shinozawa made the remark at a news conference when asked about the effects of Wednesday's announcement of a yen-curbing package by the ministry and internationally concerted market intervention overnight.

The ministry's package of steps aims at promoting overseas investment and loans especially by major institutional investors such as life insurance companies as a means of curbing the yen's strength against the dollar.

Shinozawa said the package was in line with the G-7 agreement April 25.

He denied, however, that any additional yen-cooling measures would follow soon.

Shinozawa expressed the hope that the package of deregulations for capital transactions will be well assessed in terms of Japan's economic fundamentals and have beneficial effects over the long term.

Takemura Welcomes Response to Yen Measures

OW0308081795 Tokyo ASAHI SHIMBUN NEWS CONFERENCE REPORT in Japanese
1050 GMT 2 Aug 95

[News conference by Finance Minister Masayoshi Takemura with unidentified reporters at the Ministry of Finance in Tokyo at 0759 GMT on 2 August]

[FBIS Translated Excerpt] [Reporter] In response to your announcement of measures concrning the surging yen this morning, the yen dropped to over 90 yen to the dollar on the foreign exchange market, and the Tokyo stock average index rose by almost 400 yen today. What is your comment on the market moves?

[Takemura] I strongly welcome the moves as long as they are really reactions to my announcement. Hereafter, we will try our best to achieve the objectives of the policies announced this morning as they are not for announcement only. We will continue to pursue a further drop of the yen to realize a visible reduction of Japan's trade surplus through improvement in capital balance. [passage omitted]

Reasons Behind Yen-Curbing Package Discussed

OW0208130395 Tokyo KYODO in English
1234 GMT 2 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 2 KYODO — As a means to curb the yen's strength, Japan eased regulations Wednesday [2 August] to promote overseas investment and loans by Japanese investors.

At a hurriedly called press conference, Finance Minister Masayoshi Takemura announced a comprehensive yen-curbing package of steps designed to encourage Japanese institutional investment in foreign currency securities such as U.S. Treasuries, effective immediately.

"I believe these drastic and effective measures will help Japanese investors turn their attention to overseas investment loans," the finance minister said.

Takemura said the yen's strength against the dollar remains unjustifiable in terms of economic fundamentals, a result of small outflows of Japanese funds overseas despite a steady decline in Japan's current account surplus.

Following the announcement of the package, and dollar-supporting market intervention by the bank of Japan, the dollar quickly gained ground, at one stage surging to its highest level in about four months, at 89.50 yen.

U.S. Treasury prices are also higher in Tokyo on the news.

The yen-cooling package has two key features — the encouragement of overseas investment and loans by institutional investors and the promotion of financial cooperation by public organizations such as the Export-Import Bank of Japan and the Overseas Economic Cooperation Fund (OECF).

Japanese insurers, the largest domestic institutional investors, will be allowed to extend foreign currency-denominated loans to overseas companies, and restrictions on yen-denominated external loans by insurance companies, the so-called 50 percent rule, will be lifted, the package said.

The Ex-Im Bank will extend untied loans to more countries and positively respond to brisk demand for foreign currency-denominated loans, it said.

Japan will continue to promote a five-year 120 billion dollar program from June, 1993, to help developing countries restructure their economies, using public funds like postal savings and insurances through organs like the Ex-iM Bank and the OECF.

Japanese institutional investors and foreign exchange dealers welcomed the thorough yen-curbing package.

Josei Ito, president of Nippon Life Insurance Co., one of the nation's biggest institutional investors, said, "I highly appreciate that it will further improve the environment for overseas investment and loans."

The insurance industry has previously called for the abolition of the 50 percent rule on yen-denominated external loans, Ito said.

Yoichi Ito, head of foreign exchange dealings at Sumitomo Trust Bank, said promotion of financial cooperation by public funds may help ease the recent, growing shortage of yen funds overseas.

Easing the regulations pertaining to foreign exchange positions by authorized foreign exchange banks is also welcome, but the contents of the deregulation package have yet to be studied, Sumitomo's Ito said.

The 50 percent rule calls for insurance companies to limit their combined share in overall amounts of yen-denominated syndicated loans to 50 percent or lower.

The insurance industry has long called for the abolition of the rule, and analysts say the removal opens the way for insurance firms, notably life insurers, to participate in big lending schemes.

The Finance Ministry also eased the so-called 15 percent rule under which domestic investors were required to count the evaluation loss in foreign currency-denominated bonds when foreign-exchange rates moved significantly.

The ministry measure allows each company to decide whether or not to count such losses, thus making it easier for domestic businesses, especially insurance firms, to invest in foreign currency- denominated bonds.

Behind the announcement of the fresh yen-curbing package lies the perception within the Finance Ministry that the yen's ascent has been fueled by a slowdown in Japanese investments in foreign stocks and bonds, analysts said.

Japan's external investments are largely dollar-denominated. This requires investors to buy dollars on foreign exchange markets, which in turn helps push up the dollar's value against the yen.

But the total amount of bonds acquired by Japanese investors abroad decreased steeply from 1,698.3 billion dollars in fiscal 1989 to 947.3 billion dollars in fiscal 1994, according to Finance Ministry figures.

The amount of stocks bought by such investors also plunged from 106.9 billion dollars to 52.5 billion dollars.

The sharp fall in Japan's external investments reflects lower latent profits on securities portfolios at major institutional investors such as life insurers and banks, analysts said.

Since the burst of the asset inflation-aided bubble economy of the late 1980s, such large investors have kept a low profile concerning external investments, dispirited by the slide in domestic stock and land prices.

Compared with the 1989 peak, Tokyo stock prices have plummeted by around 60 percent and land prices by about 50 percent.

Moreover, the dollar has depreciated against the yen by nearly 20 percent over the past year, arousing jitters among major Japanese investors that they would suffer losses in yen terms even if prices for foreign equities and bonds gain strength, analysts said.

In the bubble era, Japanese life insurers were widely known as active net buyers of stocks and bonds on wall street.

The life insurance industry's overall assets held in the form of foreign securities stood at about 11 trillion yen as of the end of 1994, a sharp decline of 6 trillion yen from the end of 1990.

Many analysts believe, however, the latest easing of regulations on external loans and investment is unlikely to help boost the dollar's value against the yen because Japan's trade surplus with the rest of the world is not being whittled down substantially.

"Such deregulation can be regarded as a plus factor for the dollar. But I believe it is more important for the government to take far-reaching monetary and fiscal measures to promote the disposal of swollen bad loans," said Nobuo Shoji, a senior researcher at NLI Research Institute, affiliated with Nippon Life Insurance Co., Japan's largest life insurer.

Effect of Weak Dollar on EAEC, APEC Noted

952A0593A Tokyo BOEKI TO KANZEI in Japanese Jun 95 pp 46-55

[Article by Eiichi Furukawa, representative, Japan International Strategy Center: "The Drama of APEC, EAEC, and the Dollar Crisis"]

[FBIS Translated Text] **Confronting the Dollar Crisis**

Japan Faces Double Suicide with the U.S.

The dollar has lost 30 percent of its value since January 1, 1994, when it traded at 125 yen. Its latest free-fall, triggered by Mexico's peso crisis and the strengthening of the German mark, has attracted considerable attention. In this article, I will examine several of the characteristics of the dollar's recent weakening.

First, the dollar's slide has been unstoppable. A number of foreign exchange experts from the Bank of Tokyo and Industrial Bank of Japan (IBJ) predicted this scenario in recently-published books. However, government authorities and business professionals dismissed their warnings, and have failed to take appropriate countermeasures to this day. When the dollar slid below 90 yen on February 7, Finance Minister Masayoshi Takemura attributed the dollar's weakness to "speculation," noting that it "contradicts the economic fundamentals." Takeshi Nagano, the chairman of the Japan Federation of Employers' Associations (Nikkeiren), said that "no one expected" the dollar to fall to that extent. Kenji Mizutani, the director of Tokai Bank's research affiliate and a former businessman, would disagree. He discussed the possibility of a sharp decline in the dollar's value in a book published a year earlier.

Second, it is widely recognized that the U.S. Government's twin budget and trade deficits are primarily responsible for the dollar's weakness. In other words, the dollar's decline is not simply the result of speculation, nor is it based on insufficient efforts by Japan to open its market, ease regulations, and expand domestic demand. Also, many recognize that the root of the problem is not the "yen's strength," but the "dollar's weakness." Soon, headlines declaring a "dollar crisis" started to appear in daily newspapers in Japan, such as the ASAHI SHIMBUN. Warnings of a dollar crisis only appeared in financial journals and books previously.

Third, Japan's perception of the dollar's weakness relative to the yen clearly differs from that of the United States. Japan views the dollar's weakness as a serious problem that must be corrected whereas the United States is not overly concerned. The U.S. Commerce Department and U.S. Trade Representative's office (USTR) actually welcome the drop in the dollar's value as a means to boost U.S. exports by making them less expensive and more competitive. In other words, they see the weak dollar as a way to correct the U.S. trade imbalance with Japan. On the other hand, the U.S. Treasury Department has admitted that the dollar's excessive weakness could undermine the strength of the U.S. economy. However, it has not expressed serious concern, but simply a desire to avoid sharp fluctuations in the dollar's value as it declines. Consequently, a spirit of cooperation or collaboration between Japan and the United States in combating the dollar's weakness is missing. For example, the United States did not respond to Finance Minister Takemura's recent suggestion that central bank governors and finance ministers from the Group of Seven (G-7) nations meet to devise measures to counter the dollar's weakness. Following the peso's plunge last January, however, the United States decided to provide support to Mexico without observing the International Monetary Fund's (IMF) procedures. Consequently, Germany, France, and some other European nations abstained from voting on the decision. The United States called for an emergency meeting of the G-7 nations, which was subsequently held in Halifax, Canada.

The United States also ignored Japan's calls for an international effort to stem the dollar's weakening last year, after the currency plummeted on June 24, 1994. When top officials of leading nations met on July 10-11 in Napoli, Italy, Japan proposed that a pledge to prop up the dollar be included in the joint statement to be issued at the close of the summit meeting. The United States voted down its proposal. Japan then suggested that finance ministers make the pledge in a special joint statement, but it was again thwarted by the United States. However, the Japanese delegation told a group of Japanese reporters that the finance ministers had actually issued this special joint statement, a topic that subsequently made headlines in Japanese newspapers. I happened to ask the Finance Ministry for a copy of this special joint statement, and was told that such a document did not exist. Despite their mistake, Japanese newspapers did not issue a correction. The newspapers could only issue a correction if it were written by the original reporter because that reporter was specially assigned to cover the Finance Ministry, according to an employee in the foreign news department of a newspaper. Of course, that reporter had no intention of writing a correction without the ministry's permission. If the word got out that "a special joint statement was not actually issued," the dollar would weaken further. To my knowledge, documents were faked on two occasions in 1994. The first incident involved these incorrect reports of a joint statement issued by finance ministers after the Napoli summit. The second incident concerned the statement issued after last November's Asia-Pacific Economic Cooperation (APEC) forum in Bogor, Indonesia. In the latter case, APEC members agreed to the statement but did not adopt it through a consensus. However, the press reported that APEC members agreed to and adopted the terms of the statement.

Fourth, the United States repeatedly ignored calls for cooperative, international intervention to stem the dollar's weakening due to its desire to boost U.S. exports. It eventually cooperated, but only after many delays and on a limited scale at that. Thus, Japan must devise ways to resolve currency problems on its own. The apparent indifference of the Unitd States has been interpreted variously in Japan. Some speculate that the U.S. attitude reflects a move to treat those countries in its trading block alone as partners in economic management, not the entire world. This would explain why it took aggressive steps to respond to the peso crisis, given Mexico's participation in NAFTA, but was apathetic toward the yen's strengthening. However, this view is incorrect. The United States implemented large-scale, emergency-intervention measures to help Mexico because U.S. corporations have invested heavily in Mexico. If these U.S. corporations suffered extensive economic damage, the stability of the U.S. financial system would be shaken. On the other hand, the United States does not feel a sense of urgency concerning the dollar's decline relative to the yen because it realizes that the United States actually benefits from a weak dollar.

The U.S. failure to respond promptly to the weak dollar made it clear that Japan cannot always rely on the United States to resolve currency problems. Depending on the situation, the United States could even deliver a decisive blow to the Japanese economy. Therefore, Japan must be prepared to devise currency measures independently and act on its own initiative.

Fifth, Mexico's peso crisis brought attention to the precarious economic status of some "emerging countries," an expression that was rarely heard in Japan previously. Emerging countries or markets refer to countries that have recently attracted an influx of international capital, especially short-term funds. There was speculation that investor confidence in these emerging countries would drop in conjunction with the increase in U.S. interest rates and the peso's devaluation, prompting an immediate withdrawal of short-term funds amidst fears of an impending economic crisis. This phenomenon definitely occurred in South American countries, such as Argentina and Brazil, and emerging European countries, such as Spain and Portugal. However, emerging countries in East Asia, such as Thailand, the Philippines, and Indonesia, shrugged off the peso crisis because they have regulatory systems in place for controlling the inflow and outflow of short-term U.S. capital. Government officials around the world are currently touting financial liberalization above all else, especially in APEC circles. However, an economically weak country that implements financial liberalization without principle, like Mexico did, will end up with an economy in ruins as a result of U.S. money games.

Sixth, the dollar's position as the key international currency has subsided somewhat. In past depreciation phases, the dollar's standing as the base currency remained virtually unshaken, which always seemed odd to me. Commentaries predicting a decline in the dollar's asset value and an erosion of its position as the base currency have even started to appear in the United States. Last January, Hong Kong and ASEAN currency officials met in Hong Kong to discuss appropriate action amid Mexico's peso crisis and the escalating concerns over emerging markets. At the meeting, the officials unanimously agreed to increase their yen holdings. Subsequently, all of the ASEAN central banks reportedly began selling dollars and scooping up the yen. The recognition of the dollar as the only base currency contradicts the flow of public funds, private funds, and trade in East Asia. It is an unnatural situation that will eventually correct itself. Otherwise East Asian nations could not respond to sharp fluctuations in the dollar's value. A loss of confidence in the dollar would generate the need for a substitute currency, so that some sort of replacement measures would emerge. Thus, East Asia would form its own system of economic exchange in place of the unnatural, dollar-based system.

Seventh, the Japanese Government's efforts to stem the yen's strength were ineffective in both the international market, as I stated earlier, and the domestic market. The Bank of Japan (BOJ) instructed Japanese commercial banks to lower their interest rates on March 31 in a bid to curb the yen's strength. However, its action had the opposite effect of inviting a further strengthening of the yen because it dashed the market hopes for a reduction of the official discount rate.

Eighth, the dollar will remain weak until the United States eliminates its twin budget and trade deficits. The U.S. deficit was one of two major issues on the agenda in the bilateral discussions under the Structural Impediments Initiative (SII), begun in 1989, and the comprehensive Japanese-U.S. trade talks, begun in 1993. The opening of Japan's market was the other major issue. Although the two sides have discussed the topic of access to Japan's market extensively, they have taken up the U.S.'s twin deficits in form alone. The Finance Ministry is certainly studying measures to counteract the dollar's plunge, but it cannot easily publicize or enforce these. This is because it would impact the core of the world political-economical system, that is the U.S. The Finance Ministry faced a similar quandary at the time of the Nixon Shock in August 1971, when the United States abolished the fixed exchange rate system for the dollar. Ministry officials had researched the impact of the removal of the fixed-dollar exchange rate, led by Taikan Hayashi, the finance minister's councilor. However, they made the big mistake of opening the foreign exchange market within a month after President Nixon's proclamation, leaving the dollar at 360 yen, due to a lack of consensus over policy.

Ninth, the United States lacks the funds needed to plug its twin budget and trade deficits. In the 1980's, Japan invested aggressively in the Unitd States in the form of direct investment and investment in U.S. Treasury and corporate bonds. Direct investment was fueled by the expansion of Japanese corporations in the United States and Japanese investments in U.S. real estate. Lured by high U.S. interest rates, Japanese life insurance firms and others competed for U.S. securities amid Japan's asset-inflation bubble economy. At the start of the 1990's, however, Japan's asset-inflation bubble economy collapsed, bringing an end to the days of surplus Japanese capital. Consequently, Japanese corporations curbed their expansion plans and pulled out of real estate investments after incurring huge losses. Meanwhile, Japanese investors also racked up big losses on U.S. securities investments due to the dollar's depreciation. Japanese investment in the United States eventually came to a complete stop. So, where does the United States plan to find the funds needed to plug its budget and trade deficits? Japan's Finance Ministry offers one solution. The Finance Ministry buys the dollar when the currency's value begins to drop in an effort to ward off an increase in the yen's value. It injects funds into the United States by purchasing from the U.S. Treasury. The United States applies these funds to its budget and trade deficits, but also uses the funds to buy more Japanese imports. Consequently, its trade deficit with Japan swells and the dollar weakens. This prompts Japan's Finance Ministry to buy the dollar again in an effort to prop up the currency's value. Thus, the vicious cycle begins again. However, this cycle will not repeat itself endlessly. When the cycle finally stops, confidence in the U.S. economy will be gone. At that point, foreign investors will pull out of the United States at once.

The dollar has weakened further recently due to the efforts of ASEAN central banks to replace their dollars with yen assets. Whenever the BOJ tries to cool the yen's strength by buying dollars, ASEAN central banks hinder its effectiveness by buying the yen. The United States will eventually be unable to pay its interest obligations due to the loss of confidence in the dollar, according to Mr. Mizutani of Tokai Bank's research affiliate (Kenji Mizutani, *The Simultaneous Bankruptcy of Japan and the U.S.*, PHP Kenkyujo, 1994).

The United States could also obtain funds for plugging its deficits if Middle Eastern nations suspended dollar-denominated oil payments. However, this would cause the price of U.S. gasoline to increase and shock the U.S. economy. Robert Rubin, the U.S. treasury secretary, dismissed the possibility of this fundraising method in a statement on March 25. Still, he could not very well admit it if this method were under consideration (Japan Times, Mar 27, 1995, p 9).

Finally, there are just two ways in which the United States can reduce its overall trade deficit and its trade deficit with Japan in particular: increase its exports or decrease its imports. The United States has blamed its inability to boost its exports to Japan on Japan's slow response, or insufficient effort, in terms of opening its market and relaxing government regulations. However, Japan has actually registered an increase in U.S. imports in the past several years. The problem is that the United States has posted an even sharper increase in Japanese imports at the same time, reflecting the nation's appreciation of Japanese products. The favorites were initially consumer goods such as automobiles and consumer electronics. More recently, however, the U.S.'s Japanese imports have shifted to industry purchases of capital goods, parts, and raw materials, as represented by liquid crystals. In other words, U.S. production would contract without these Japanese imports. On the other hand, if the United States did not have the money to buy these imports, its imports would shrink, guiding its trade account toward equilibrium. However, Japan is supplying endless funds to the United States through the Finance Ministry's purchases from the U.S. Treasury. Consequently, the United States continues to increase its Japanese imports. Thus, the United States cannot correct its trade imbalance until Japan first stops supplying funds and second restricts its exports. Kazuo Inamori, the chairman of Kyocera Corp. and the Kyoto Chamber of Commerce and Industry, agrees with this view. According to Mr. Inamori's conception, Japanese companies ought to pass on the entire cost increase associated with a weakening of the dollar in their export prices. In other words, they should raise the dollar-denominated price. Bilateral trade would gravitate toward a balance because the higher prices of Japanese exports would lead to a decline in exports while the lower prices of U.S. imports would lead to an increase in imports. However, the vast majority of Japanese companies are convinced that they cannot allow exports to fall, no matter to what extent the yen appreciates. This view, which contradicts economic principles, is the problem. If Japan's exports declined, the U.S. trade deficit would shrink and the dollar's value cease to fall. However, Kosaku Inaba, the chairman of the Japan Chamber of Commerce and Industry, is quick to object to Inamori's view. According to Mr. Inaba, an increase in Japanese export prices would hurt small businesses because they would lose their international competitiveness. Japanese companies endeavor to cut costs whenever the yen strengthens. Therefore, they reportedly pass on just 60 percent of a cost increase caused by the yen's strengthening in their export prices. Economic principles tell us that this practice will just prolong the yen's appreciation indefinitely. The problem is that this very basic theory is not widely known. Instead, discussions have focused on the need for Japan to relax its regulations and boost domestic demand. The view that the dollar's recent weakening is mainly attributable to the U.S.'s twin deficits has become more popular. Unfortunately, there has been no discussion of how to formulate policies on the basis of this view. Consequently, Japan is only forging down a path toward a double suicide with the U.S.

Why Can't Australia Join the East Asia Group?

Is Australia Part of Asia?

A host of articles promoting the addition of Australia and New Zealand to the East Asia Economic Council (EAEC) has appeared in Japanese magazines recently. Masaru Yoshitomi, currently an associate director of IBJ's research affiliate and a former director of the Economic Planning Agency's Coordination Bureau and Reseach Bureau, wrote two such commentaries. They appeared in the February 11 edition of SHUKAN TOYO KEIZAI and the March edition of FORESIGHT, respectively. In his articles, Mr. Yoshitomi called for the formation of a non-NAFTA council within APEC, to comprise East Asian nations including Australia and New Zealand. Meanwhile, Yuichiro Osatomi called for the addition of Australia and New Zealand to the EAEC in the March edition of "NIKKEI BUSINESS." Even more surprising, Seizaburo Sato, a professor at Keio University, announced the formation of an academic group to promote the recognition of Australia and New Zealand as Asian nations. The group will reportedly appeal to ASEAN in the future. As for the impetus for this discourse, Australia's aggressive propaganda campaign is certainly influential. Australia's foreign minister, Gareth Evans, recently came up with the strange notion that Australia is part of East Asia because it lies along the same longitude (at about 130 degrees of east longitude). His logic would mean that African nations are part of Europe.

Australia has declared that it is part of Asia for several years now. East Asian nations have no particular reason to object to its assertion. However, they would like to see Australia demonstrate more of an understanding of Asian values and cultures in its behavior. Australia began emphasizing Asia in its foreign policy after England joined the European Community (EC) in 1973. Australia joined the United Nations'(UN) ECAFE [Economic Commission for Asia and the Far East] in 1974, which led to a revision of the council's name to ESCAP [Economic and Social Commission for Asia and the Pacific]. ASEAN members initially welcomed Australia to the Asia group, but changed their opinion over the next 21 years. ASEAN members are pleased with Australia's enthusiasm toward regional cooperation, and look forward to collaborating in the future. However, they dislike Australia's tendency to monopolize discussions at regional conferences and to pressure Asian nations into going along with its proposals. Consequently, East Asian nations would like an opportunity for discussion among themselves, without Australia's dominating presence. The main purpose of the EAEC lies therein. Delivering a speech last year in Sydney, Singapore Prime Minister Lee Kuan Yew said that Australia's attempts to become part of Asia are unnecessary. He pointed out the importance of an unforced relationship between Australians and Asians, something that is missing today. Mr. Narongchai, a native of Thailand, is in a unique position to speak on the differences between Australians and Asians. He received his university education in Australia and represents Thailand today in regional cooperation efforts, similar to Saburo Okita's efforts on behalf of Japan. In an interview with the popular Australian newspaper "The Australian," Mr. Narongchai said the following: "Despite Australians' efforts to become Asians, they cannot transform themselves geographically, historically, and culturally. Australians are stubborn. They take the initiative without thought. They like to boast about their merits. Asians are humble." Some Japanese question why the EAEC does not welcome Australia, given Australia's desire to join the council. If Australia joined the EAEC, a chill would come over the council's proceedings. A Japanese official involved with ESCAP in Bangkok recently told me the following: "ESCAP discussions are dominated by the United States, England, France, and Holland—countries that are not actually part of the Asia-Pacific region but joined the council anyway because they formerly controlled colonies there—and Australia. The Australians are especially aggressive. ESCAP was created to give Asian nations the opportunity to make proposals, but this purpose has been lost." There was a similar tendency when I represented ESCAP in the 1970's.

Australia's Pressure Tactics To Blame for Lack of EAEC Invitation

The EAEC issue emerged against this backdrop. Malaysian Prime Minister Mahathir Mohamed first advocated the EAEC issue in late 1990. In May 1992, I met with a senior official at the Australian Embassy in Japan and offered the following advice concerning Australia's desire to join the EAEC: "Australia cannot expect an invitation from the EAEC immediately, given its complicated relationship with Asian nations in the past 20 years. A low-key approach toward the EAEC would be prudent. Australia should quietly express its desire to join the council. If it behaves this way, ASEAN will probably extend an invitation to the EAEC before long." In the following three years, however, Australia behaved in the exact opposite manner.

First, Australia pressured ASEAN to promote democracy and implement human rights reforms, which ASEAN saw as interference. Consequently, Australia and New Zealand were banned from officially participating in an Asian conference on human rights in late March 1993 in Bangkok. The Bangkok conference, which was sponsored by ESCAP, was held in preparation for the UN world human rights conference in June 1993 in Vienna. Asian representatives in the UN's New York office insisted that Australia and New Zealand only be permitted to attend the Bangkok conference as observers, even though they were eligible to participate as ESCAP members. Thanat Khoman, an elder Thai statesman and former foreign minister of Thailand, made a special effort to attend the Bangkok talks despite his old age (he was 79 years old at the time). At the conference, he served as a government delegation advisor to the Bangkok human rights council. In an address, Mr. Khoman sharply criticized Australia for interfering in the internal government affairs of Thailand.

At last November's APEC summit in Bogor, Indonesia, Australia backed the U.S. move to announce a plan to liberalize trade in the APEC region, despite the strong opposition of ASEAN and China. The United States actually released its own revised version of a trade liberalization plan to which ASEAN had consented, without discussing its changes or giving prior notice, which violated APEC rules. Australia's second offense was to split the ASEAN in an effort to pass a trade liberalization plan. Indonesia and Singapore supported the liberalization declaration whereas Malaysia, Thailand, and the Philippines opposed it. This ASEAN split was a serious problem that had never before occurred in the association's 27-year history. During its existence, ASEAN has contributed to peace and stability in East Asia and laid the foundation for the region's economic development. Not surprisingly, Australia fell in disfavor with East Asia in its bid to split the organization.

On March 21-22 this year, the Ministry of Foreign Affairs held a nongovernmental, international conference on security issues in the Asia-Pacific region. Opinions were divided concerning the best way to manage the ASEAN regional forum (foreign ministers' conference on security in East Asia, or ARF). North American and Oceania countries lined up on one side and ASEAN on the other. The Western side wanted ARF to immediately adopt specific, regulatory measures whereas the ASEAN side preferred to merely exchange opinions at the first two or three meetings in an effort to develop mutual trust among the participating countries. Japan sided with the ASEAN group. In the ensuing debate, the Australian representatives were the most vocal in pressing the Western side's point of view. Consequently, the American representatives were able to remain relatively quiet, giving the impression that they were not forcing their point of view.

Australia's Action Contradicts Statements

Thus, Australia opposed ASEAN by becoming the U.S.'s mouthpiece on a variety of issues. These include democracy and human rights, the trade liberalization plan for the APEC region, and regional security. I have never understood how Australia can reconcile its behavior with its desire to be recognized as an Asian nation and join the EAEC. I wonder what Australians think of this paradox. The world is full of strange people, some of the strangest of which are those Japanese who support the addition of Australia to the East Asia group. At present, none of the ASEAN members pay much attention to Australia's statements. They did not invite Australia to the so-called "six plus three" meeting of foreign ministers from nine East Asian nations, held on July 25, 1994 in Bangkok. If Australia hopes to join the East Asia group, it must first revise its Western conceptions and methods, then take a low-key approach for a few years. If Australia had adopted this strategy three years ago, as I advised the senior embassy official, it probably would have received an invitation to last July's conference.

Can Japan Take a Leadership Role in APEC?

Japan's role in APEC was discussed in the previous edition of this magazine, but I would like to address the issue once again in relation to the two articles written by Mr. Yoshitomi that I mentioned earlier. Mr. Yoshitomi makes the following three points in his commentaries: (1) At the upcoming APEC summit in Osaka, Japan ought to take the lead in creating a blueprint for achieving the Bogor summit's goal of liberalizing trade and investment in the APEC region by the year 2020; (2) APEC member countries should create liberalization guidelines based on their stage of development and strive to make private industry more competitive through an international pledge to promote liberalization, given that it is difficult for a government to implement reforms alone; (3) Japan should strike a balance between an "America emphasis" and an "Asia emphasis."

Let's first consider the issue of Japan's leadership role. Mr. Yoshitomi asserts that a country presiding over an international conference is in a position to take the initiative and exercise leadership in determining the conference agenda. His conclusion, which is based on his years of experience working for the OECD, IMF and UN, certainly has merit. However, "in a position" to take the initiative and "Japan can" are separate issues. This is because East Asian nations will not accept an uncompromising attitude toward negotiations whereas the United States is comfortable using pressure tactics to accomplish whatever it wants. Japan cannot create an APEC liberalization plan on its own, then persuade the United States to consent to its plan. Japan has the power of persuasion, but does not intend to use its influence on the United States in the first place. It feels the same way with respect to East Asian countries. Japan cannot go against the U.S.'s assertions but at the same time, it cannot afford to buy the resentment of East Asia by siding with the United States. This dilemma is the only thing on Japan's mind these days. As Mr. Yoshitomi says, a country that presides over a conference certainly has an opportunity to lead the agenda. However, this general view does not apply to Japan. Instead, Japan will put itself in a difficult spot if it takes the initiative at the APEC summit. Furthermore, it has no experience in leading a conference, as shown by its attitude at last November's APEC summit in Bogor.

The United States was determined to include in the Bogor declaration a pledge to liberalize trade and investment by the year 2020, despite the opposition of Malaysia, Thailand, the Philippines, and China at the very least. Japan remained silent on the issue. In the days leading up to the summit, the United States managed to get Thailand and China to submit to its proposal. Thailand's Prime Minister Chuan Likphai declared his support for the establishment of the 2020 target date two weeks before the summit. Shortly after, a Japanese representative expressed Japan's support of the deadline at the Tokyo Press Club. On November 11, the first day of the conference of cabinet ministers, China announced that it would agree to the 2020 target date only if it could reconsider its position once the liberalization details had been clarified. It is thought that China agreed to the liberalization plan because the United States threatened to block China's efforts to join GATT if it did not. Malaysian Prime Minister Mahathir refused to compromise whereas the Philippines opposed the plan, but did not voice its objection. Thus, Malaysia was the only one left in the opposition camp. Malaysia could not directly oppose President Suharto, so it released a statement expressing its reservations about the 2020 deadline, but did not object to the issuance of the statement itself.

At the Bogor summit, Thai Prime Minister Chuan expressed reservations about the establishment of the 2020 deadline for trade liberalization. In other words, he did not support the idea. The Thai Government subsequently distributed to APEC members a document stating its misgivings about the 2020 deadline. At preliminary APEC talks held on February 16, 1995 in Fukuoka Prefecture, Thailand, Malaysia, the Philippines, and China announced in a special meeting that they could not support the U.S. plan for APEC liberalization. They objected to the U.S.'s insistence on its own plan, so that Japan was not involved in the matter. This disagreement will not be resolved unless the United States withdraws its plan. Consequently, the United States will probably place pressure on Japan at the upcoming APEC summit in Osaka in an attempt to create a bogus declaration similar to those it finessed at the preceding APEC conferences in Seattle and Bogor. In other words, the United States will release a statement of APEC's vision to the press that is not actually supported by all APEC members. East Asian nations do not directly object to this sort of manipulation because they do not place much importance on written declarations. In contrast, Westerners believe that anything put in writing must be upheld. Even if Japan were to draw up a bogus statement that goes against the views of ASEAN, ASEAN would not lose face. Looking at the joint declarations released after conferences of ASEAN foreign ministers and economic cabinet ministers, many terms stated in writing are not actually enforced. In fact, the joint declarations released after the conference of ASEAN foreign ministers in July 1993 and the conference of economic ministers in October 1993 contain statements that directly contradict agreements reached in the discussions. For example, ASEAN agreed at these conferences to allow EAEC to act independently of APEC. This meant a reversal of Indonesia's position on the issue. In a move to allow Indonesia to save face, in the ASEAN style, the joint statements released after those conferences state the exact opposite, that "EAEC exists as a caucus within the framework of APEC." At a news conference called to officially announce the joint declaration of the economic cabinet conference, S. Dhanabalan, the chairman of the conference and Singapore's trade minister, surprised reporters by stating that "the EAEC will always act independently of APEC."

There are now concerns that Japan will take part in this sort of maneuvering at the Osaka summit. In an article in the March 1 edition of the JAPAN TIMES newspaper, a Japanese representative of APEC was quoted as saying that Japan ought to promote the APEC region's advancement in the "spirit of community." At the Seattle summit, the Japanese delegation struggled to translate this expression, finally settling on "cooperative society" because it is not meant to convey a binding organization like the EC. During President Clinton's July 1993 visit to Japan, he spoke of a "new Pacific alliance" in a speech that he gave at Waseda University. However, the APEC intellectual group known as the EPG [Eminent Persons Group] referred to an "Asia-Pacific economic alliance" instead in an October 1993 report in an effort to appease the ASEAN and China. The latter group strongly opposed any APEC involvement in security and democracy-human rights issues and sought to exclude those two issues from the alliance. At preliminary APEC talks and the APEC cabinet conference, however, the conception of an economic alliance was dropped in response to strong objections by ASEAN, China, and Japan. The Japanese representatives voiced the loudest objections, causing some ASEAN representatives to question why Japan was so adamantly opposed to the idea. Meanwhile, the United States wanted to incorporate the word "community" in the declaration of APEC's vision somehow. It wore down the reserve of the East Asian side by explaining that it meant to convey a relationship between neighbors in the same town, and that the word could be written in small print. At the close of the summit, however, the United States announced its own revised version of the declaration of APEC's vision without discussing its changes with other APEC members, claiming a lack of time. The Japanese side had wearied of the proceedings at this point, so it did not demand the withdrawal of the declaration. The United States changed the declaration by adding the following: "We, as APEC members, pledge to deepen the spirit of community based on our common vision of realizing national stability, security and prosperity."

Although the expression "the spirit of community" seems insignificant, it is actually meant to promote President Clinton's vision of a "new Pacific alliance." In fact, the expression has become a slogan for promoting APEC, even though the United States added it to the APEC declaration on its own. The Japanese APEC representative used the expression in his interview with the JAPAN TIMES. Furthermore, the recognition of "the spirit of community" necessitates the recognition of the existence of the entire passage added by the United States. This may be interpreted to mean that APEC members have agreed to the forum's involvement in security issues. Therefore, there is now a concern that Japan has promised to participate in the U.S.'s maneuvering at the Osaka summit. Thus, the terms that the United States surreptitiously added to the APEC declaration have taken on a life of their own. An Indian scholar stated in a speech on APEC that "the writing of 'security' in APEC's statement of vision means that APEC will take up security issues." I can remember a representative of a Washington think tank asking the Washington bureau of the NIHON KEIZAI SHIMBUN newspaper, "What's wrong with the idea of APEC's taking up security issues?" Common sense tells us that this proposal is impossible to enforce. This is because China agreed to recognize Taiwan's and Hong Kong's participation in APEC only if APEC would not take up government and security issues.

However, the Japanese APEC representative's usage of "the spirit of community" may lead to the belief that APEC is involved in security issues. In other words, the public may believe that the bogus declaration created by the United States in Seattle was approved. The Bogor statement released last November, another bogus declaration finessed by the United States, also refers to "the spirit of community" several times.

Is Voluntary Trade Liberalization With Monitoring Feasible?

Mr. Yoshitomi's idea that each APEC country should create voluntary guidelines for the liberalization of trade and investment, the enforcement of which should be monitored by an international panel, appears practical at first glance. However, East Asian nations are opposed to this idea because they feel that the United States will apply pressure and hand down mandates if it monitors the progress of liberalization. Their concerns are justified by the U.S.'s commanding behavior in forging the recent semiconductor agreement with Japan. Consequently, East Asian nations will probably consent to the idea of monitored liberalization as long as the United States is not involved.

However, Asian nations have widely varying conceptions of trade liberalization at present. In the past, they believed that it was in the best interest of the nation to stave off liberalization. However, they also recognized that other countries would not promote liberalization to Asia's benefit unless they implemented liberalization themselves. In this case, the promotion of trade liberalization based on international mechanisms had merit.

Today, Asian nations feel that liberalization is beneficial to the domestic economy and are convinced that they ought to initiate liberalization voluntarily and unilaterally, even if none actually says it outright. Consumers would benefit the most from this policy and domestic industries would become more competitive. Consequently, all of the ASEAN members have promoted liberalization unilaterally and voluntarily in recent years. Some Asian nations passed sweeping investment reforms last June because of concerns over a shift of foreign investment to China and South Vietnam. Malaysia is the honor student of this class. Consequently, its investment environment has won the praise of the U.S. Embassy and the U.S. Chamber of Commerce in Kuala Lumpur. The Singapore-based head of Motorola's Asia Division claims that Malaysia has the best investment climate of the 10 Asian nations under his division's jurisdiction. Motorola no longer considers Singapore as a manufacturing base because its wages are too high, he says. In a 1994 World Bank report on trade and investment liberalization in East Asia, Thailand, the Philippines, and Indonesia were among those singled out as countries that need to promote further liberalization. Malaysia was notably absent from the list. Instead, the World Bank praised Malaysia for attaining economic growth through the liberalization of trade and investment.

Thus, the need to place international pressure on Asian nations to curtail antiliberalization campaigning by national interest groups has subsided. Instead, international pressure can actually work against the move toward liberalization. In countries like Malaysia, where liberalization is not threatened by national interest groups, a United States-led move to monitor progress would negatively impact the liberalization environment. Instead, Malaysia must protect and cultivate its national capital to some extent because it currently depends too heavily on foreign funds. Malaysia opposes the U.S. plan to liberalize trade in the APEC region because it cannot achieve its goal for an advanced economy by the year 2020 unless it nurtures value-added industries. Government protection in postwar Japan, for example, enabled strategic and state-of-the-art industries, such as the automobile and computer industry, to develop into important export industries.

Furthermore, a country with a small economy must defend itself against sudden international shifts of short-term funds (hot money), as shown by Mexico's recent peso crisis. No matter how strong a nation's economic performance, funds will shift rapidly across borders in response to a change of just 0.5 percentage point in interest rates. A country with a large, strong economy can benefit from these fund shifts, but a country with a small, weak economy will end up with an economy in ruins. If Asian financial markets are not regulated, Asian economies will probably collapse as a result of U.S. corporate money games, similar to the fate of the Mexican economy.

In the past 20 years, East Asia has shown the most striking economic development of any region in the world. This is because East Asian countries liberalized trade and investment to a greater extent than developing countries in Central and South America, Southwest Asia, and Africa. However, East Asian countries maintained regulations and protective measures at the same time. They posted impressive economic development "because" they kept these regulations and protective measures in place, not "despite" their existence. The history of the development of Japan's strategic industries, such as the auto industry, also supports this view. Malaysia is currently the second largest exporter of air conditioners in the world, and is on its way to becoming a major exporter of televisions and videos. In addition, it is confident that it will be a leading exporter of automobiles in the future, and plans to protect its auto industry until it is sufficiently competitive. According to a recent television program on Japan's 50-year postwar history that was broadcast on NHK, the United States welcomed the decline in its auto exports to Japan during the 1950's in conjunction with the advancement of Japan's auto industry. However, the United States can no longer afford to take a benevolent attitude. Instead, it now feels that it must squelch the development of strategic and state-of-the-art industries, such as electronic communications, in other countries.

Central and South American newspapers were initially full of commentaries extolling the benefits of joining NAFTA. However, the praise suddenly stopped when the peso collapsed. NAFTA attracted attention as an experiment in regional unification between advanced and developing countries. This sort of regional unification is not problematic in itself. Instead, NAFTA's failures stem from the U.S.'s hasty attempts to promote liberalization and its emphasis on short-term profits over the long-term growth of the Mexican economy, according to an article that appeared in the March 25 edition of "The ECONOMIST."

Thus, the APEC-liberalization plan that was proposed by the United States will probably be temporarily withdrawn or shelved at the Osaka summit, assuming that Japan can take a leadership role. This is because the U.S. plan could leave East Asian economies in ruins, just like NAFTA toppled the Mexican economy.

EPA Head on Government Intervention, Inflation

OW0108065595 Tokyo KYODO in English 0525 GMT 1 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 1 KYODO — Economic Planning Agency (EPA) chief Masahiko Komura said Tuesday [1 August] he has no worries about inflationary pressure if the government takes fresh monetary and fiscal measures to boost the economy.

But he refrained from specifying what steps should be taken at a press conference after a cabinet meeting.

Komura's remarks were taken by some analysts as an indication that there is still room for the government and central bank to trim interest rates further, including the official discount rate which is already at a record low of 1.0 percent, and to implement additional public works programs.

Asked about financially troubled Cosmo Credit Corp., Komura said he expects the authorities concerned to take "appropriate measures" to prevent any adverse effect on the economy and the credit system.

But he said bad-loan problems, such as at Cosmo, are weakening the economy.

MOC Cuts Interest Rate on Housing Loans

OW0308081995 Tokyo KYODO in English 0756 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — The Ministry of Construction [MOC] has decided to cut the interest rate on loans by the governmental Housing Loan Corp. to a record low of 3.25 percent from 3.60 percent, effective retroactively from July 14, officials said Thursday [3 August].

The move follows a cut in the rates charged by treasury investment and loan programs, and is aimed at stimulating housing investment, the officials said.

Housing starts, which have propped up economic activity, are starting to show signs of a decline these days.

DA To Seek FSX Funding in 1996 Budget

OW0208033995 Tokyo MAINICHI SHIMBUN in Japanese 1 Aug 95 Morning Edition p 3

[FBIS Translated Text] The next-generation support fighter (FSX), developed jointly by Japan and the United States, has become a focal point in the next medium-term plan for building the defense capability. At a 31 July meeting of the Defense Coordination Council established by the ruling parties, the Defense Agency [DA] made clear that it is studying the possibility of incorporating an outlay for the mass production of the FSX in its defense budget request for fiscal 1996. It is extremely unusual for DA to mention new military equipment specifically when the government is studying how to set a ceiling for budget requests for 1996.

The ruling Social Democratic Party of Japan is stepping up its demand for cutting procurement of frontline military equipment, and the ruling parties are having difficulty coordinating opinions on how to set the ceiling for 1996 budget requests. Mass production of the FSX would cost approximately 1 trillion yen, and DA is believed to have specifically mentioned the FSX out of fear that the plan for mass production would be scrapped if present circumstances surrounding the defense budget continue.

There has been argument over whether mass production of the FSX is right or wrong, and it is likely to become an issue within the ruling parties.

Japan at first aimed to build the FSX domestically, but it decided in 1987 to develop it jointly with the United States, using the U.S.-built F-16 fighter as a model, in the face of a backlash from the U.S. Congress and the aircraft industry. The first FSX is near completion, and the first test flight is planned for September this year.

Mitsubishi Heavy Industries, which developed the FSX, has presented DA with a 10 billion yen unit cost for producing the FSX during the first contract year, and DA is now negotiating with Mitsubishi to bring down the unit cost. The United States holds about 40 percent of the work share, and a shrinkage in the U.S. work share following the sharp appreciation of the yen may surface as a new issue between Japan and the United Sates.

As problems arising from any failure to start mass-producing the FSX in 1996, DA cites 1) an increase in unit cost because of the expense of maintaining the production line; 2) a waste of 327.4 billion yen in development cost, and 3) a serious political issue between Japan and the United States.

Budget Increase Proposal for Fiscal 1996 Viewed

OW0208121495 Tokyo KYODO in English 1121 GMT 2 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 2 KYODO — The government is expected to set a ceiling on general expenditures in the national budget for fiscal 1996 at about 43.9 trillion yen, a rise in the lower 4 percent range from the initial budget for the current fiscal year ending March 31, Finance Ministry sources said Wednesday [2 August].

General expenditures are the nation's general-account budget minus debt-servicing costs and grants to local governments.

A decision on such spending will be made at a cabinet meeting Friday when the government sets across-the-board ceilings on budget requests from ministries and agencies.

The planned growth rate is lower than the 4.8 percent rise seen in the fiscal 1995 budget.

Finance Ministry officials said, however, the ministry has paid due heed to the economic situation so that the fiscal 1996 budget will help buoy the stagnant economy.

They said the ministry has secured 5 percent growth in spending for long-term investments such as public works projects, the same growth rate as in the previous year's budget.

The officials also said an additional 130 billion yen has been set aside to spur restructuring of the Japanese economy.

The government will rush adjustments regarding defense and Official Development Assistance (ODA) expenses to adopt the ceilings Friday, government sources said.

The Liberal Democratic Party, the largest force in the three-party ruling coalition, is seeking a 3.9 percent rise in defense spending from the initial budget for fiscal 1995.

But, the Social Democratic Party [of Japan], the second largest, wants such growth limited to 0.7 percent or lower while New Party Sakigake [Harbinger] insists on a 2.88 percent increase.

The wide gap among the three parties indicates their negotiations will drag on until late Thursday night.

On the ODA budget, the Foreign Ministry is seeking a steady increase of 7.7 percent, roughly unchanged from the current year's budget, while the Finance Ministry is demanding that the ODA budget growth be curbed below 7 percent.

Extraordinary Diet Session To Open 4 Aug

OW0208115295 Tokyo KYODO in English
1128 GMT 2 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 2 KYODO — Governing and opposition parties have agreed to hold a five-day extraordinary Diet session from Friday [4 August], officials said Wednesday.

The officials said the composition of the House of Councillors in the wake of the July 23 upper house election, including its president and vice president, and the adoption at a session of both the upper house and the House of Representatives of a resolution opposing nuclear weapons testing are expected to dominate the session.

The extraordinary Diet session, with its second supplementary budget for fiscal 1995 taking account of the economy and disaster countermeasures, is the first since last September.

The governing coalition had proposed a five-day session, but this was opposed by the leading opposition party Shinshinto (New Frontier Party) which argued that five days would be too brief to accommodate its demands.

The party's demands included a policy speech from Prime Minister Tomiichi Murayama and a question session.

Shinshinto eventually capitulated, opting to press its demands in a regular Diet session scheduled for fall.

The officials said a Friday morning plenary session of the upper house will elect the Liberal Democratic Party's Juro Saito as house president and Heisai-kai member Kampei Matsuo as vice president.

In the afternoon, a joint session of both houses is likely to adopt a resolution critical of nuclear weapons testing by China and France, the officials said.

The opposition parties' draft of the resolution has been shown to standing members of the lower house steering committee and governing and opposition parties are currently discussing the finer details of the wording.

The officials said Emperor Akihito will formally declare the session open in the upper house chamber at 3 p.m.

Murayama Reportedly To Delay Cabinet Reshuffle

OW0208114295 Tokyo KYODO in English
1057 GMT 2 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 2 KYODO — Prime Minister Tomiichi Murayama decided Wednesday [2 August] not to carry out a major change to his 13-month-old cabinet as early as next week, his aides said.

The premier, head of Japan's tripartite coalition government, has explained his decision to deputy prime minister and Foreign Minister Yohei Kono, who is in Brunei to attend an expanded meeting of the Association of Southeast Asian Nations, the aides said.

Kono, president of the Liberal Democratic Party (LDP), the dominant force in the coalition, agreed to Murayama's policy shift, they said.

Murayama, who heads the Social Democratic Party (SDP) [Social Democratic Party of Japan — SDPJ], had intended to shake up his cabinet to bolster his leadership, damaged by the SDP's drubbing in the July 23 House of Councillors election.

Murayama will make a final decision on planned cabinet changes after Friday's meeting with Kono and Finance Minister Masayoshi Takemura of New Party Sakigake [Harbinger], the smallest partner in the coalition, the aides said.

With a reshuffle unlikely and Kono and Takemura expected to keep their current portfolios, the only change to the cabinet now sure to take place is the filling of the labor ministerial post to be vacated by Manso Hamamoto's retirement from politics.

Both Kono and Takemura had hoped to leave the cabinet and concentrate on their duties as leaders of the LDP and Sakigake, respectively, political sources said.

On Wednesday morning, Murayama indicated he will not reshuffle the cabinet as planned, saying each cabinet minister is doing his utmost to help resolve the assigned tasks.

"The premier can no longer carry out what is viewed as a cabinet reshuffle," a senior SDP leader said, citing Takemura's reported intentions to resign as finance minister and the financial crisis engulfing Cosmo Credit Corp.

A source close to Murayama also said, "it looks like the premier thought it difficult to make a change to the cabinet after the SDP took a drubbing in the upper house poll."

If no cabinet shakeup is to be carried out, Murayama, who assumed office in June last year, would have to recover lost ground with renewed resolve to stimulate the Japanese economy and tackle other issues of concern.

But Murayama's clout is expected to wane rapidly amid persistent calls for a major overhaul of the cabinet and in the face of challenges from the main opposition Shinshinto (New Frontier Party).

The decision against a cabinet reshuffle deals a blow to Kono and Takemura as well.

Pressing duties as foreign minister, combined with his weak power base within the LDP, would stand in the way of Kono's bid to be reelected as party president in September, when his two-year term expires.

At present, International Trade and Industry Minister Ryutaro Hashimoto is thought to be Kono's main rival in the presidential election.

As for Takemura's Sakigake, a splinter of the LDP, the two-year-old party has been shaken over its future course since its poor showing in the upper house election.

Takemura's perceived failure to deal squarely with a series of scandals involving Finance Ministry officials is also said to have tarnished the party's image.

Kono Says Cabinet Reshuffle 'Essential'

OW0208130095 Tokyo KYODO in English
1239 GMT 2 Aug 95

[FBIS Transcribed Text] Bandar Seri Begawan, Aug. 2 KYODO — Foreign Minister Yohei Kono, who heads the major coalition partner Liberal Democratic Party, indicated Wednesday [2 August] he is still hoping for a large-scale cabinet reshuffle.

In a meeting with accompanying Japanese reporters, Kono said, "some LDP members stress that a change is essential in considering the economic situation."

In Tokyo, Prime Minister Tomiichi Murayama, who heads the Social Democratic Party [of Japan], decided the same day not to carry out any major changes in his 13-month-old coalition cabinet.

Murayama has explained his decision to Koko, also deputy prime minister, who is in Brunei to attend an expanded meeting of the Association of Southeast Asian Nations, his aides said in Tokyo.

Kono also made it clear that he will remain in the Murayama cabinet as foreign minister together with Finance Minister Masayoshi Takemura, head of the smallest coalition partner New Party Sakigake [Harbinger].

Insists on 'Large-Scale' Reshuffle

OW0208135795 Tokyo KYODO in English
1345 GMT 2 Aug 95

[FBIS Transcribed Text] Bandar Seri begawan, Aug. 2 KYODO — Foreign Minister Yohei Kono, who heads the biggest coalition partner Liberal Democratic Party, said Wednesday [2 August] that he will insist on a large-scale cabinet reshuffle when he returns to Tokyo.

In a meeting at a Brunei hotel with accompanying Japanese reporters, Kono, who is also deputy prime minister, said, "Some LDP members think a change is essential in considering the current economic situation. Many citizens also support that view."

Kono added that at a meeting of the heads of the coalition partners slated for Friday, he will express the necessity of a major cabinet reshuffle.

In Tokyo, Prime Minister Tomiichi Murayama, who is also chairman of the Social Democratic Party [Social Democratic Party of Japan — SDPJ], decided the same day not to carry out any major change in his 13-month-old cabinet.

Although murayama's aides said the premier has explained his decision to Kono in Brunei, Kono said he was not informed about the decision from the premier.

Kono said the three-party coalition of the LDP, SDP and New Party Sakigake [Harbinger] was supported by the July 23 House of Councillors election.

The foreign minister stressed that the coalition government must iron out measures to stimulate the economy as early as possible following a cabinet reshuffle.

Kono also revealed that he will remain in the cabinet together with Finance Minister Masayoshi Takemura of New Party Sakigake in support of Murayama.

Kono said Takemura played a big role in establishing the coalition government.

A meeting of Murayama, Kono, and Takemura is slated for Friday.

Kono is scheduled to return to Tokyo Thursday night.

Kono, whose term as president of the LDP expires on Sept. 30, has not yet made clear whether he will run again in the presidential race. He only said, "I don't want to discuss future issues."

General Agreement Reached on Antinuclear Resolution

OW0308080495 Tokyo KYODO in English 0605 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — The ruling coalition and the leading opposition party Shinshinto (New Frontier Party) agreed Thursday [3 August] on the text of a Diet resolution protesting against China and France over nuclear arms tests, officials of the parties said.

The agreement was reached in an agenda-setting meeting of the House of Representatives Steering Committee, the officials said.

The resolution says the lower house opposes any testing of a nuclear weapon since Japan is the only country that has ever been attacked by nuclear arms.

The text says the Diet chamber makes a "grave protest" against China's nuclear tests and also a "strong request" to France to withdraw its plan to resume nuclear tests.

The original text said nuclear tests are "unforgivable" acts that destroy the environment and ecology as well as threaten human existence. But the word "unforgivable" was removed after Shinshinto said such an expression would signify an intention to seek a cutoff of diplomatic relations.

The resolution is expected to be submitted to the house jointly by the ruling coalition and Shinshinto for planned passage at a plenary session Friday.

SDPJ Convention To Discuss 'Worst Defeat'

OW0308064895 Tokyo KYODO in English 0514 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — The executive body of Prime Minister Tomiichi Murayama's Social Democratic Party (SDP) [Social Democratic Party of Japan — SDPJ] on Thursday [3 August] decided to hold a special party convention in September to discuss the party leadership's responsibility for the SDP's poor showing in the July 23 House of Councillors election.

The SDP Central Executive Committee endorsed a document in a meeting that calls the election outcome "the worst defeat since its formation."

The document says the party should make clear the responsibility of the leadership for the result and also take a step forward toward creating a new party at the September convention.

Secretary General Wataru Kubo, who had dropped a hint that he would resign following the election, said nothing further to that effect.

The document, however, emphasized that the party gained nine seats in the 50-seat proportional representation part of the upper house poll and that the overall drop in the rate of votes cast for the SDP was only around 1 percent. It said both factors were cause for believing that the defeat was "not without hope for the future."

The party will prepare for the next general election after gathering together political groups into a new force, fostering appropriate leadership for that force, and handing over power to a younger generation, it says.

In a reference to the combined 65 seats the three governing parties won in the election, which was barely a majority of the 126 seats at stake, the paper says that the SDP bears a big responsibility for the result, being the party providing the prime minister.

It recommends that future action be directed toward putting together new political forces and choosing candidates to stand in the next House of Representatives election.

The document also says the Murayama administration has won "a certain level of understanding" for its policy achievements, including the passage of a Diet resolution marking the 50th anniversary of the end of World War II and welfare measures for the victims of the atomic bombings of Hiroshima and Nagasaki.

It attributes the party's poor showing in the election to disunity over the possible formation of a new party, voter confusion over the SDP's alliance with its erstwhile archenemy, the Liberal Democratic Party, divisions in the organized labor community, a lack of preparedness to fight in the election, and an inability to project a new party image.

The seats won by the SDP in the election for half of the upper house fell to a record low 16, well below the 22 obtained in the previous poll three years ago.

Chief Cabinet Secretary Kozo Igarashi of the SDP said at a press conference that the party executive committee's dim view of the election outcome is "understandable" considering the vigorous advance of the leading opposition Shinshinto (New Frontier Party).

SDPJ, Sakigake To Form Parliamentary Group

OW0208112995 Tokyo ASAHI SHIMBUN in Japanese 28 Jul 95 Morning Edition p 2

[FBIS Translated Text] The Social Democratic Party of Japan [SDPJ] has firmed up a plan to form a unified parliamentary group in the House of Councilors with Sakigake [the Harbinger Party] before an extraordinary Diet session is convened on 4 August. The SDPJ has already begun urging Sakigake to form the unified parliamentary group. The SDPJ firmed up the plan after concluding that it needs to swiftly move to form a new party with Sakigake to bail itself out of the sluggish result in the latest upper house election and regain its political clout. However, Sakigake, which was unable to increase its seats in the upper house election, is now faced with the serious issue of how to maintain itself as a political party. It remains unclear whether or not Sakigake will immediately go along with the SDPJ plan.

Tomiichi Murayama, prime minister, and Kazo Watanabe, director of the SDPJ General Affairs Bureau, agreed to strengthen the SDPJ's alliance with Sakigake and promote a blueprint for forming a new party when they met at the former's official residence in the evening of 25 July. Watanabe met with SDPJ Secretary General Wataru Kubo on 26 July. At the meeting, they agreed to: 1) promote the plan for forming a parliamentary group in the House of Councilors with 38 upper house members affiliated with the SDPJ and three upper house members affiliated with Sakigake and 2) resume policy consultations between the two parties, which are virtually stalled. According to a politician concerned, the SDPJ has already urged Sakigake to form the unified parliamentary group with it.

The SDPJ and Sakigake, which quickly reached a policy agreement when the Murayama government was inaugurated, have since strengthened their ties with an eye on the future realignment of political parties. However, the SDPJ, a reformist party, and Sakigake, a conservative party, are still distancing themselves from each other. What is more, the two parties have tended to disagree on major policy matters. The plan for forming the unified parliamentary group in the House of Councilors is taken as an SDPJ attempt to look for a way to survive following the latest upper house election.

Commerce, Industry Zoku Power Struggle Reported

952B0200A Tokyo SEIKAI ORAI in Japanese Jul 95 pp 62-63

[Article by Shiro Okado: "The Forefront of the Struggle To Seize Commercial and Industrial Concessions Between Ruling and Opposition Parties"]

[FBIS Translated Text] **Struggle for Concessions Marked by Competitions Among Factions**

The struggle to win commercial and industrial concessions is a struggle to attain political links with enterprising groups which come under the jurisdiction of the Ministry of International Trade and Industry [MITI]. It is indeed indispensable for politicians to collect donations from enterprises as funds for their daily political activities. They rack their brains to find ways of maintaining close relations with as many enterprises as possible and receiving their donations.

A shortcut to close relations with enterprises is to have a pull within the MITI which exercises jurisdiction over industrial domains of various kinds ranging from resources and energies to automobiles, fibers, machines, information devices, and daily necessities.

The struggle to seize commercial and industrial concessions, which is waged with the MITI and the industrial world as its central stage, is dreadfully fierce. The Liberal Democratic Party [LDP] and Shinshinto [the New Frontier Party] are unfolding now-advancing and now-retreating offensive and defensive battles. In case of Shinshinto, however, forming its main fighting force are those who broke away from the LDP.

In the struggle for commercial and industrial concessions, the victory or defeat is decided by the seizure of the MITI minister's post, which should be called the centerpiece of the concessions.

Kozo Watanabe was installed as MITI minister in the Miyazawa regime, which turned out to be the LDP's last one-party government. He then belonged to the Takeshita faction though he is now Shinshinto's acting secretary general. Kozo Watanabe, who served as the MITI's parliamentary vice minister and the LDP's Commerce and Industry Division chief, is looked upon as a member of what is called the commerce and industry zoku [a group of Diet members who exercise policymaking expertise in a particular field acquired through service in the appropriate party policy deliberation committee].

When Miyazawa reshuffled his cabinet, Watanabe transferred his post as MITI minister to the Mitsuzuka faction's Yoshiro Mori. Yoshiro Mori is now holding an important position as the LDP's secretary general. He worked as deputy chief cabinet secretary in the Fukuda government and is known as a close associate of former Prime Minister Takeo Fukuda. He is a member of the education zoku, but through the above transfer, he succeeded to the commercial and industrial concessions which had been inherited through former Prime Minister Nobusuke Kishi, former Prime Minister Takeo Fukuda, Tatsuo Tanaka, Shintaro Abe, and Hiroshi Mitsuzuka.

MITI Minister Hiroshi Kumagai in the Hosokawa coalition cabinet is a confidant of Shinshinto Secretary General Ozawa. He was sent into the MITI as Ozawa's agent. A graduate of Hitotsubashi University, he is a bureaucrat-turned politician who initially served with the MITI. When Ichiro Ozawa visited the Soviet Union and the United States, he played a role in reshaping Ozawa's image as a man with international perspectives. In playing the role, he utilized his international connections with people which he widened on the basis of his acquaintances during his days as a MITI bureaucrat when he also studied at Harvard University.

Taking office as MITI minister in the Hata coalition cabinet was Eijiro Hata who was also close to Ichiro Ozawa. A Shinseito [the Japan Renewal Party] member, he sideslipped into the portfolio from his post as agriculture, forestry, and fisheries minister of the Hosokawa coalition cabinet.

When the Murayama coalition cabinet appeared, this time Ryutaro Hashimoto of the LDP, which succeeded in recapturing power, assumed the portfolio, taking back the LDP's rule over commercial and industrial concessions.

In the era of the LDP's one-party government, the party's five major factions vied to gobbled up concessions. The following depicts the flow of politicians who successively participated in the struggle to seize commercial and industrial concessions in those days.

The first veteran was former Prime Minister Takeo Fukuda. The commercial and industrial concessions were once an impenetrable citadel of former Prime Minister Nobusuke Kishi who earned fame for his bravery as a reformist bureaucrat in the Commerce and Industry Ministry. It was Fukuda who succeeded to this citadel.

By embracing Shintaro Abe, Kishi's son-in-law, as the successor to his faction, Fukuda maintained broad rule over commercial and industrial concessions including resource- and energy-related interests. Of them, he most deeply encroached upon the oil industrial field, and his relations with Nippon Oil Co. are particularly close.

The second veteran was former Prime Minister Kakuei Tanaka. Upon his inauguration as MITI minister in the third Sato cabinet, he made deep inroads into resource- and energy-related concessions. Proving this most positively are the facts that Arabian Oil Co. is called a symbol of Tanaka's concessions and that Keiichi Konaga, who repeatedly held the post of the MITI's administrative vice minister, is this company's president. Konaga is one of the ghostwriters of former Prime Minister Kakuei Tanaka's "Japanese Archipelago Remodeling Doctrine," and Konaga's career also includes his service as secretary to the former prime minister.

The third veteran was former Prime Minister Yasuhiro Nakasone. He, too, set his eyes on the field of resources and energies and is having connections with Teikoku Oil.

The fourth veteran was former Prime Minister Kiichi Miyazawa. He had the experience of working as MITI minister. Later, former Chief Cabinet Secretary Rokusuke Tanaka, who belonged to the same faction as Miyazawa (Kochikai), set about the work of establishing his rule over the rapidly growing computer industry.

The fifth veteran was former Prime Minister Takeo Miki. Former MITI Minister Toshio Komoto, who inherited personal connections established by former Prime Minister Miki, also secured a large channel of communication with the oil industry. He was the owner of Sanko Kisen possessed of oil tankers, and so he fully used his ministerial post for running his own company.

To cope with the LDP's five major factions, the MITI allotted separate roles to its several bureaucrats and insured itself through these people. That is, it assigned its bureaucrats to these respective factions. As a result, for example, irrespective of their personal preferences, Prime Minister Kakuei Tanaka's secretary Keiichi Konaga, Prime Minister Takeo Fukuda's secretary Yuji Tanahashi, Prime Minister Yasuhiro Nakasone's secretary (Yatsuo) Iwasaki, and Prime Minister Noboru

Takeshita's secretary Osamu Watanabe were obliged to carry with them the same factional tinges as did their masters until the end of their careers as bureaucrats. As a connecting link for the MITI, each of those bureaucrats—who were obliged to assume certain factional tinges—worked for the sake of the prime minister he was serving and the prime minister's faction, continuing to bring them benefits accruing from commercial and industrial concessions.

In the era when the LDP was assuming power singlehandedly, its respective factions shared commercial and industrial concessions in a well-balanced manner. For the MITI, this way of insuring itself against risks through personal assignments functioned quite effectively in maintaining equidistant connections with respective LDP factions.

Hashimoto Revives Donations

However, the situation underwent a complete change when the LDP degraded to the status of an opposition party. The balance was upset. This was because Shinseito which emerged as the core unit of the Hosokawa coalition government began working to monopolize commercial and industrial concessions.

The tragedy of Industrial Policy Bureau Director Masahisa Naito, who was forcibly driven into his resignation by MITI Minister Hiroshi Kumagai in the era of the Hosokawa coalition government, was an incident generated amid such a struggle to seize commercial and industrial concessions. Masahisa Naito was close to Yuji Tanahashi who worked for former Prime Minister Takeo Fukuda. When Yuji Tanahashi's oldest son moved to resign as a MITI bureaucrat and enter on a political career, Naito made efforts to accord him "preferential personnel treatment," that is, a special office role before his resignation. MITI Minister Hiroshi Kumagai seized this case as an opportunity to accuse Naito. Under the LDP's one-party government, taking such a personnel measure was a usual practice. However, in the midst of political restructuring, the practice contrarily caused his ruin. The MITI's way of insuring itself against risks through personnel measures proved to be no longer working.

To Ichiro Ozawa, the inauguration of Ryutaro Hashimoto, his largest rival, as MITI minister was a blow. Under the Hosokawa coalition government, Ichiro Ozawa continued to use starvation tactics by cutting off the flows of funds to the LDP from the financial world through the help of then Federation of Economic Organizations [Keidanren] Chairman Gaishi Hiraiwa. This tactic by Ichiro Ozawa was baffled when his camp went out of office due to a power change. The MITI's links with the financial world have been continuing since the Meiji era when there was the Agriculture and Commerce Ministry as its predecessor. What is more, even the financial world loses its nerve before its supervisory government offices. Now that the LDP has recaptured the MITI minister's post, the party cannot let the flows of funds remain severed. With MITI Minister Ryutaro Hashimoto's inauguration as a turning point, corporate donations to the LDP have begun reviving.

The relations between the LDP and Keidanren have rapidly improved since Toyota Motor's Shoichiro Toyoda became Keidanren chairman. When a sharp rise occurs in the value of the yen, Chairman Shoichiro Toyoda himself rushes into the prime minister's official residence.

Ryutaro Hashimoto is putting his whole energy into the work of rescuing the automobile industry which is under the MITI's jurisdiction. In recent Japan-U.S. negotiations on automobiles and their parts, Ryutaro Hashimoto strongly rejected U.S. Trade Representative Kantor's request, saying that it "contradicts free trade principles." He contends: "The United States is asking for additional increase in voluntary plans for the purchase of foreign-made car parts by Japanese makers, but the purchase amounts will conversely decrease by 10 percent by the act of sanctions." He is thus determined to stand against the United States by filing suit with the WTO [World Trade Organization]. He is trying to make Shoichiro Toyoda—not to speak of Keidanren—feel indebted to him.

It is said that with a desire to form a new faction within the LDP, Ryutaro Hashimoto is making preparations step by step to this end. Former Prime Minister Noboru Takeshita secretly tells him that "you are next," and his arch rival Ichiro Ozawa, too, has reportedly reconciled with former Prime Minister Noboru Takeshita and is agreeing to his plan to install Ryutaro Hashimoto as prime minister.

In case he becomes LDP president and our nation's prime minister, he will have a constant demand on his purse. He must be considering it wise to work hard for the benefit of Keidanren and have a strong hold on automobile concessions at this juncture.

On reflection, we will find that a number of big-shot politicians have thus far risen to the post of prime minister from that of MITI minister. Hayato Ikeda, Eisaku Sato, Masayoshi Ohira, Takeo Miki, Kiichi Miyazawa, Kakuei Tanaka, and Yasuhiro Nakasone—they are all like glittering stars. Ryutaro Hashimoto's father Ryugo died before he could fully realize his aspirations, although he was looked upon with expectations as a man of great capacity to become a prime minister. It is natural that Ryutaro Hashimoto, who is pursuing his father's will, should hustle to carry out his task in Japanese-U.S. negotiations, with the chance of sitting on the prime minister's chair about to come.

As the so-called "government office dealing with ideas," the MITI is very eager to discover, raise, and promote new industries.

The LDP is continuing its strenuous efforts to build up new industries in the field of multimedia. Observing that private-sector electronics industrial circles have set up the "Multimedia Promotion Forum" for the first time in Japan, the party is moving to back up the forum in a comprehensive way . This is because multimedia will open up new concessions. The move of the forum joined by major private-sector electronics industrial enterprises including Hitachi, Ltd. is drawing much attention. It is unlikely that Ryutaro Hashimoto will not display his leadership in the creation of these new concessions. Shinshinto falls far behind in the creation of multimedia concessions.

Ministry Reports Rise in Construction Orders

OW3107113395 Tokyo KYODO in English
0919 GMT 31 Jul 95

[FBIS Transcribed Text] Tokyo, July 31 KYODO — The value of orders received by Japan's major constructors increased 11.3 percent in June to 1,565.5 billion yen from a year before, marking the fourth consecutive month of year-to-year rises, the Construction Ministry said Monday [31 July].

The uptrend will continue for the time being, a ministry official said after the release of a monthly report on 50 major construction firms.

Domestic orders from the private sector grew 7.4 percent to 896 billion yen, aided by brisk demand from the telecommunications and transportation sectors.

Domestic orders from the public sector rose 13.3 percent to 512.4 billion yen, the ministry said.

Orders received abroad surged 28.2 percent to 92.2 billion yen for the second straight month of year-to-year rises, thanks to airport and railway projects in Hong Kong and Singapore, the ministry said.

Multimedia Market Grows 35.1 Percent in 1994

OW0308104395 Tokyo KYODO in English
0948 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — Japan's multimedia market in 1994 surged 35.1 percent over the previous year, bringing in an estimated 1,622.5 billion yen, the Multimedia Association of Japan reported Thursday [3 August].

The market for personal computers (PCs) and other equipment expanded 69.6 percent to 909 billion yen, the association said in its "white paper."

The association, an auxiliary organ of the Ministry of International Trade and Industry, promotes the use of multimedia hardware and software.

It said the domestic market for multimedia services, including the Internet PC communications network service, reached 61.7 billion yen, up 43.5 percent. The market for multimedia software posted 651.8 billion yen, up 4.8 percent, the association added.

The market for karaoke software, which is played on terminals through a control center, and for CD-ROM (compact disk read-only memory) software each saw a sharp rise of five to six times, the association said.

Started in 1994, the multimedia boom has created various business opportunities due in part to the government's support, and continued growth is expected this year.

The 440-page white paper, the third of its kind, is available for 9,800 yen.

Increase in Franchise Sales Noted

OW0108085895 Tokyo KYODO in English
0813 GMT 1 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 1 KYODO — The growing number of franchise shops in Japan sold a total of 12,607.2 billion yen worth of goods and services in fiscal 1994, up 10.4 percent over a year earlier, an industry body said Tuesday [1 August].

The Japan Franchise Association said the number of franchise shops in such business sectors as restaurants, retailing and services surged 13.5 percent over the preceding fiscal year to 158,736.

Association officials attributed the upsurge to the growing number of small- and medium-sized retailers closing their businesses to enter into franchise deals with a total of 734 franchise chain operators in Japan.

However, the officials noted that earnings at many franchise shop have been faltering due to intensifying competition and resultant declines in the unit prices of their commodities and services.

Number of Retail Stores Expected To Fall

OW0308104295 Tokyo KYODO in English
0931 GMT 3 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 3 KYODO — Thirty-five percent of shopping districts in Japan expect the number of shops in their areas will decrease in about a year, the Labor Ministry said in a survey report Thursday [3 August].

The survey was based on hearings conducted at 186 shopping districts from late June to early July by public employment offices nationwide in connection with a decrease in job openings in retail and distribution businesses.

The ministry blamed the pessimistic outlook by merchants on competition from supermarkets and other large-scale retail stores as well as a slump in consumer spending.

Seventy percent of representatives at the shopping districts said business was poor, compared with 49 percent a year earlier.

Redesigned Corolla 'Answer' to Stagnant Market

952A0572A Tokyo NIKKEI BUSINESS in Japanese
22 May 95 pp 32-37

[Article by Hiroshi Mizuno]

[FBIS Translated Text] "This car symbolizes the post-bubble era." This is how General Manager Susumu Uchikawa in charge of sales of the eighth-generation new Corolla, which Toyota Motor put on the market on 14 May, describes it. The new model is Toyota's "answer" to the stagnant domestic automobile market, and is the "culmination" of new car development under revision in response to the collapse of the bubble economy.

"Best Compact Car" Is Point of Origin

Put on the market in 1966 (Showa 41), the Corolla, which was to trigger Japan's motorization, is synonymous with the car for the masses, and is "the face of Toyota." Domestically, from 1969 until last year, it has enjoyed the top position in annual unit sales for 26 consecutive years. Currently manufactured in 15 nations throughout the world, its export destinations number 130 nations and regions. One of four cars produced overseas by Toyota is either a Corolla or a car with basic Corolla specifications.

Says General Manager Uchikawa, "For Corolla, our greatest mass sales car, to undergo a slump means that our company cannot determine a course for growth." Within the company, there are many who say that "unless the Corolla grows, Toyota cannot have vitality," which indicates that expectations for new customer-drawing products are that high.

Corolla became the foundation for Toyota's carmaking and gave birth to such high-end cars as Crown, Mach II, etc. However, with the bubble period, the Corolla also "came down" with the luxury car syndrome, turning this trend around. With the new Corolla, compact car development—the original strength of Toyota—has been revised from the foundation, returning carmaking to its original nature, with the additional aim of girding up development of other cars.

"We will once again scrutinize the demands that are sought from the Corolla and make the 'best compact car' that excels in economy." Chief engineer Mr. Yoshiyasu Honda of the No. 2 development center, which directed its development, says that this is the point of origin for development of the new model this time. In a nutshell, it is all about making a "lean car." Naturally, this means thoroughly pursuing a low cost car. At the same time, the price will be reduced even with air conditioning, etc., as standard equipment. Mr. Honda started development after setting a target price of "1.5 million yen as the upper limit."

From there the new model was born. The "SE" model sedan (two types) that Toyota is positioning as its biggest seller, in addition to air conditioning, is standardly equipped with airbags, an idea arising from recommendations from dealers that "they are necessary from the standpoint of safety appeal," and the cost is around 1.4 million yen. Compared to the last comparable type, it is newly equipped with air bags as standard equipment but is about 50,000 yen cheaper. Fuel economy in the leading type has been increased from 12.8 km per liter to 16. Compact cars of other makers in the same class as Corolla get anywhere from 13 to 14. This new model of Corolla appears to be going to put up a remarkably good fight.

This is so much so that the vice president in charge of the development department Akihiro Wada says, "we are proud of our creation; we have fixed everything that there had been complaints about, from price to safety considerations."

It is also attracting a lot of external attention because it is the manifestation of a highly profitable compact car. Mr. Kensuke Matsumoto, analyst in charge of the automotive industry at Nikko Research Center, gives his reading as follows: "Although the previous Corolla just barely made up for the burden of fixed costs, this new model has been finished out to a car that can surely generate profits." As if to underline that point, Mr. Honda suggests that "its profit rate has risen past the previous Corolla as well as its predecessor."

Mr. Honda is a person who could justifiably be called "Mr. Corolla." Hired by Toyota in 1968, he was in charge of design of the chassis, which corresponds to the car's skeleton, on models such as Corona, Mark II, etc. Subsequently, he has consistently been concerned with development of the Corolla. He is the man who gave birth to five consecutive generations of the Corolla, from the fourth-generation model that went on the market in 1978 to the recent eighth-generation model. Even estimated conservatively, just domestically that would mean sending out 5 million Corollas into society.

This Mr. Corolla poured an unprecedented amount of his energies into this last Corolla model change. To understand the reason, we look back to the fall of 1991.

Double-Digit Reduction in Final Processes Unprecedented in Industry

Despite the fact that the seventh-generation Corolla was launched in June of this year, Corolla's domestic sales for five consecutive months from June were lower than results from the same month of the previous year. Although there were environmental changes just at that time in which the bubble economy was beginning to flag, cited as the greatest factor in the new model's stagnation was its higher price tag. Making air conditioning standard equipment led to a price increase of between 300,000 to 400,000 yen.

However, Mr. Honda was not about to dismiss this as a "marketing failure" of a price-setting error. This is because even excluding the additional standard equipment of air conditioning, power seats, etc., the price was still higher than the previous (sixth-generation) Corolla.

This is a result of mounting costs in improving technology that encompassed the full gamut of parts. On the engine, component parts were revised piece by piece, improving performance and durability. The suspension, which connects the tires with the body, was newly designed for the front and rear wheels, improving the stability of the ride. On the sedan, interior length, width, and height were all extended to enhance riding comfort, and the list of other improvements goes on and on. While this was an object of pride for Mr. Honda, the public regarded it as a "bubble car."

Mr. Corolla reflects mildly, "Performance and quality improved markedly (over the sixth-generation model). However, this resulted in an increase in price. So the money that was spent ended up coming from the customer." Therefore, mistakes in the model change this time will not be allowed, which is also why Toyota put everything into this.

In order to realize this lean car, the number of parts must first be decisively decreased to trim off all the fat. This will lead to various effects.

Since the number of manufacturing processes will fall by reducing the number of parts, it becomes possible to compress manufacturing costs as a whole in addition to process operation costs, including personnel expenses, etc., among parts purchasing expenses, which will lead to a decrease in the price of the car. Compared to the previous Corolla, the number of parts was greatly reduced by 15 percent on the new model and the number of final assembly processes at the Toyota plant was cut by 10 percent. Cutting final assembly processes compared to previous models by as much as two digits is unprecedented in the industry.

Trimming the fat also makes the car lighter, which contributes to greater fuel economy. The weight of the new leading four-door sedan—40 kg lighter than the previous Corolla—is the realization of a significant weight reduction.

Window to Manufacturing Sections

In making this lean car, first Mr. Honda proposed having a person in charge established in the manufacturing sections. This person in charge became a window connecting Mr. Honda to the various manufacturing sections, such as press, welding, assembly processes, etc., until development of the new Corolla was completed. This was the first time that people in charge were consistently placed in the manufacturing section side during the development period of the new car.

For the development team, from the standpoint of designing parts while considering ease of production, it became easy to absorb opinions from each part of production. According to Mr. Honda, "Even from the manufacturing side, there were many who said, 'this structure makes production easier and costs can be reduced.'"

The new Corolla, says Mr. Honda, is the "first instance of a substantive manifestation" of the effects of the large-scale organizational reform of the development division as a whole that Toyota implemented in September 1992.

Toyota's new car development up until then was advanced with a mechanism that divided up the different functions, such as design, engine, body, etc., and chief engineers, who performed the role of development coordinators, would issue instructions to each of their organizations. However, with the abuses inherent in the vertical organization, coordination work between the functional organizations was exceedingly complicated. Thirty percent of the engineers' work was taken up in coordination work among sections.

For this reason, there was a reorganization into three development centers for each product area, namely, FR (rear-wheel-drive cars), FF (front-wheel-drive cars), commercial vehicles and RV (recreational vehicles). As a result, the No. 2 development center in charge of Corolla development possesses its own design, body and interior, chassis, and engine design units, enabling it to quickly develop new cars with one organization.

Due to the revisions in the development system, Mr. Honda, who in the past had to take a round-trip bus ride each time he needed to go to the distant development division building, became able to walk 100 meters at the most to have design-related meetings in basically the same building.

Says Mr. Honda, "Design efficiency improved markedly." The distance one had to move around was reduced...Even such a simple effect as that was an essential improvement for people in charge of development who are so pressed for time.

The amount of time that they could relax in the Corolla development project office and engross themselves in their original design work increased. Combined with an effect of deepened mutual understanding with the manufacturing division, revision of the structure of various parts went forward.

One example is the modification of such engine-related parts as the intake manifold, which consists of pipes that mix gasoline from the carburetor in a mist state with air and send it to the cylinders. These had been divided into two pieces but this time the diameter and length of the pipes were redesigned and they were integrated into a single part. This was for the purpose of facilitating the operating process.

Related to the chassis is the arm portion that supports the suspension. An excess of forged parts had been used in order to increase strength, but newly developed production technology made integrated molding possible.

Progress with these types of revisions of "parts manufactured in-house" are a special characteristic of the new Corolla. Of the 40 kg that the new model sedan became lighter, just over 60 percent or 25 kg is an effect of revision of in-house manufactured parts, such as the engine, chassis, etc. Although when one speaks of Toyota's cost reduction the first thing that comes to mind is strict demands that are sought from subcontractor part makers, not to mention Keiretsu firms, the situation with this new model is that Toyota has undertaken its own measures.

Another point in making development more efficient is that the number of times prototypes were made for the new Corolla was reduced from three times to two. The time frame from completion of the first prototype car to navigating it to become a saleable product was also shortened, taking two months less at 17 months compared to the previous Corolla.

There is no doubt about the fact that the new cars Toyota puts on the market in the future will also inherit this system of cooperation with the production division and greater development efficiency exemplified in the course that was taken with new Corolla model.

On the occasion of the collapse of the bubble economy, exactly four years have passed from the time that Toyota seriously got started on "value engineering (VE)" in which the aspects of both cost and performance are considered from the design stage, until this year with the launching of the Corolla and Crown. The new Corolla is the first example in which the four years for car-model change preparation were spent in total VE.

VE activities are nothing other than cost reduction activities. The aim is a departure from "carmaking that sets luxury cars as the sole criterion" that was rampant among the technical teams of the bubble era. Behind the recent new model were company-wide VE activities, and the Crown, which is the representative model of Toyota next to the Corolla, will also display those fruits as a new model this fall.

Becoming an Asian Car Candidate for 1997 Launch

At the time, Toyota was involved in development of the "Lexus (Japanese name: Celcio)," the luxury car that swept the U.S. market, and left no stone unturned in revising the design and the quality of each individual part to completely change carmaking. Naturally the luxury orientation that pursued high quality and performance would inevitably appear in the form of higher costs and an increase in the product price. Mr. Honda's words that "we have done sufficient soul-searching regarding the automaking of the bubble era" refers to the fact that they have sought to extricate themselves from that type of vicious cycle.

The sales division is also trying to make this Corolla a touchstone for a revision of marketing. The sales concept of "total cost of ownership" being used overseas was first used domestically with the new Corolla.

There is no novelty in merely improving fuel economy to reduce gasoline costs among upkeep expenses. This time they were painstakingly contriving ways for the user to save even on repair costs. A typical example of this was making a bumper structure that can be separated into top and bottom pieces, so that the entire part does not have to be replaced. As a consequence of these types of innovations, the car's "lifetime costs" would be relatively lower.

One experiment on the new Corolla was for the overseas production division to match its pace. Although an overseas model change trails behind the launching of a new model domestically, the idea this time was to shorten the lag as much as possible. This was for the purpose of expanding the effect of bolstering sales by launching a new model overseas as well.

In the case of the Corolla, up to now it has taken between one to one and one-half years after the domestic change for the model change to make the rounds overseas. Currently, the production engineering division is studying an attempt to shorten that to about six months in the Asian region. This should be easy to realize if production equipment and parts are supplied from Japan, but that is unreasonable because of unprofitability due to the increasingly strong yen. It would also go against the policy of increasing the rate of local procurement. The idea, then, is to accelerate the process of finding equipment and parts vendors and to expedite the transfer of production engineering for new cars locally.

Beginning in 1997, Toyota plans to locally produce an "Asia car," a passenger car for Asia that will have an increased ratio of localized parts. It will be based on the compact car, and Corolla will be a candidate rivaling the "Tercel." With the Corolla as the strategy car in the context of the super strong yen, it is possible that the import of its positioning will be further increased, and increasing the intensity of production engineering transfer will also become preparation for that.

However, there are also cooler heads on the front lines of sales. Senior managing director Akira Ishii of Toyota Corolla Saitama (Ageo City), 40 percent of whose sales is comprised of Corollas, calmly makes the following assertion concerning the new model that should be a critical car to his own company's management: "It is unlikely that its sales will be explosive."

The reason is to be found in fluctuating consumer purchasing patterns. The 1,500 cc displacement compact car class of which Corolla is a member, has been "showing movements that were unanticipated by makers and dealers" over the past year or two, he says. "In the past, with regard to the Corolla, there was a segment of consumers in the market for "family wheels" who were sensitive to costs and aimed to make their purchase toward the model's latter period when the margin of discounts increased. Prior to announcement of the new model, inventories ordinarily would be cleaned out so there would be a shortage, but this year there were utterly no signs of that happening." Mr. Ishii's view is that "recently even 'high quality and low cost' is not selling cars. The preference of consumers is not rushing in any one direction."

Sales targets of Toyota itself are conservative. In contrast to monthly sales targets for the previous Corolla at the 24,000-unit level, the new model's target is 17,500 units. This is partly due to not being able to expect the kind of demand that was the case during the bubble era, but it also seems that Toyota of its own accord has discerned the change in purchasing trends.

Quickening the Intensity of Efficiency Improvement

However, if the needs of consumers cannot be discerned accurately, the achievement of sales targets will be endangered. A problem that surfaces is the long development time in which a product concept must be determined (three years) prior to placing the new car on the market. Nothing would beat being able to reflect changes in purchasing trends on product planning as much as possible.

While there is an attempt afoot to shorten to nearly half or 20 months the current development time, by cutting the number of prototypes and enhancing design with computers at the outset for the low-price field of cars, such as the "Starlet," etc., it appears that there is a need to quicken the pace of efficiency improvement.

Even with cost cutting, one cannot afford to loosen the reins. Up until now, the effects of rationalization have been achieved by selecting 45 critical parts, such as the engine, etc., and aiming to reduce the number of parts by 20 percent through joint operations between the development and manufacturing divisions as well as parts makers. However, the range of cost cutting is undergoing fitful growth after having expanded to 150 billion yen compared to the previous term in the June 1994 term, up from 100 billion yen compared to the previous term in the June 1993 term. This year, converting the March term nine-month irregular settlement to a 12-month settlement, it is expected to remain at 150 billion yen annually, despite the cost cutting effect. This gives rise to the sense that ordinary methods have all been tried.

However, with the seriously strong yen, it will not be possible to obtain stable earnings in the March term of next year without stepping up rationalization by another one or two degrees.

Says Vice President Hiroshi Okuda in charge of purchasing, "All we can do in our cost reductions is to accumulate modest effects as we have done up to now."

It is necessary for the new Corolla to accumulate attentive efforts in increased cooperation between the development and manufacturing divisions, reducing the cost of parts manufactured in-house, among other things.

The domestic share of passenger car sales units, pressed by the likes of Mitsubishi Motors, Nissan Motor, and others, fell below the level of the same months of the previous year for seven consecutive months from September of last year until March of this year. It will hardly be possible to recover using the new Corolla alone. How to extend the type of automaking that was reconstructed with the Corolla to all models will become one course of overcoming problems not only on the sales front but also with respect to the strong yen as well.

JAL Applies for Asia-Pacific Airfare Cuts

OW0208122295 Tokyo KYODO in English
1130 GMT 2 Aug 95

[FBIS Transcribed Text] Tokyo, Aug. 2 KYODO — Japan Airlines [JAL] applied to the Transport Ministry Wednesday [2 August] for an average 1.2 percent cut in individual airfares on its routes in the Asia-Pacific region, company officials said.

The officials said the reduced rates will apply to its service linking Japan with 24 cities in the region, including South Korea, China and Australia, from Oct. 1 through March 31.

The new rates will be 17.3 percent lower than the standards set by the International Air Transport Association, they said.

The officials said fares on the oceanic routes will be down 4.5 percent but those on the Japan-South Korea leg will rise 10.1 percent.

Airfares on flights from Tokyo to Seoul will range from 45,000 yen to 73,000 while those from Tokyo to Beijing will be 95,000-155,000 yen, they said.

Major Daily To Launch Internet Service

OW0208134695 Tokyo ASAHI SHIMBUN
in Japanese 1 Aug 95 Morning Edition p 26

[FBIS Translated Text] At a 31 July news conference held in Marion, Yurakucho, Tokyo, ASAHI SHIMBUN gave a briefing on the outline of a plan to provide a new information service through the Internet, a worldwide computer network. Under the plan, the major Japanese newspaper will set up an editing office in the United States. The Japanese newspaper will provide updated around-the-clock information service from its editing office in the United States and its head office in Chikushi, Tokyo through the Internet.

ASAHI SHIMBUN plans to forge a tie-up with the Knight-Ridder Company, a newspaper syndicate in the United States, to bolster the operations of the editing office. The major Japanese newspaper also has obtained an agreement from New Media Center, an electronics research institute under the Knight-Ridder Company in San Jose City, California, that the latter will cooperate with the former in operating the editing office. The Japanese newspaper will install information-processing computers at the SAN JOSE MERCURY NEWS Company based in San Jose and consign the operation of those computers to the company.

The new information service includes major articles in the daily morning edition, news flashes, and weather information. The new information service also includes news in English from the ASAHI EVENING NEWS and the full text of press releases by enterprises both in Japanese and English.

The ASAHI SHIMBUN plans to start the new information service in mid-August, free of charge for the time being. The Internet access information will be announced soon.

North Korea

South's Actions Against Intellectuals Denounced

SK0308110295 Pyongyang KCNA in English
1015 GMT 3 Aug 95

["Kim Yong-sam Group's Suppression of Intellectuals Denounced" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — The Kim Yong-sam fascist clique recently arrested the former director of Yu-a intercession office, a representative and the director of the editorial board of Han Publishing House, who published and distributed the great leader President Kim Il-song's reminiscences *With the Century*, by invoking the "National Security Law" and branded the former director as a "spy" who published the reminiscences, receiving "operation funds", "enlisted" by the General Association of Korean Residents in Japan (Chongnyon).

Papers here today denounce the Kim Yong-sam group's fascist outrage against South Korean intellectuals as one more new anti-DPRK move.

NODONG SINMUN says it is a premeditated smear campaign faked in a secret room of the "Agency for National Security Planning" and a fascist outrage to do harm to and impair the DPRK and further aggravate the North-South confrontation.

The news analyst goes on:

The Kim Yong-sam group is incriminating and persecuting even the press dissemination of intellectuals, which is just and lawful in any aspect. This is a crime which can be committed only by heinous fascist dictators, political villains.

It can never be pardoned that the puppets are inciting the North-South confrontation and pursuing anti-communism, while branding those intellectuals who published and disseminated the reminiscences with their own faith as "spies" of the North who are related to Chongnyon.

Through a shocking report about "detection of spies" of the North related to Chongnyon, the puppets are trying to divert elsewhere the people's mind turning toward the North and stave off the serious ruling crisis caused by the repeated failure of internal and external policies.

The South Korean ruling quarters must clearly see the trend of the times, stop at once all the anti-communist smear campaign against the North and Chongnyon and unconditionally and immediately release the unreasonably arrested intellectuals.

A news analyst of MINJU CHOSON says this is another unpardonable anti-national crime to further aggravate the North-South confrontation and an intentional smear campaign to do harm to the North and Chongnyon.

South Korean Couple Defect Via 3d Country

SK0308050195 Pyongyang KCNA in English
0435 GMT 3 Aug 95

["S. Koreans Chong Yong-chun and His Wife Come Over to North" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — South Korean compatriot Chong Yong-chun (49) and his wife Kim Hui-suk (31) came over to the northern half of Korea some time ago.

Chong Yong-chun was born in Mokpo city, South Cholla Province, and his wife Kim Hui-suk was born in Unpyong district, Seoul.

Chong Yong-chun worked his way through primary school and middle school in Mokpo and did shoeshine before serving in the puppet army from 1966 to 1968.

After being discharged from military service he was engaged in different jobs including taxidriver and he managed the Osong industrial company from 1987.

Availing himself of an opportunity while being abroad, he came over to the North through a third country.

Referring to the motive of his defection, he said:

"My father worked at the Mokpo people's committee after the liberation of the country and came over to the North in 1946. My mother committed suicide, cursing South Korean society.

"When I became sensible, I was interested in the society of the North where my father had come.

"Hearing many stories about the society of the North where people have become the genuine masters of the state and enjoy an equal and happy life with no worries, I came to know that the propaganda of the South Korean authorities was a black lie.

"Convinced that a genuine bosom for me is the bosom of respected General Kim Chong-il, I made up my mind to live in the DPRK."

Professors Denounce Kwangju Ruling

SK0208045095 Pyongyang KCNA in English
0422 GMT 2 Aug 95

[FBIS Transcribed Text] Pyongyang, August 2 (KCNA) — Over 130 professors of Korea University in South Korea issued a statement on July 31 denouncing the puppet authorities' disposition not to institute a public action against those who committed the massacre during the Kwangju popular uprising in May 1980, according to a report.

The professors in the statement said the prosecution's decision not to prosecute is to justify illegal acts taking any means and open a way for another coup d'etat. And they urged the prosecution to strictly investigate the then situation irrespective of prescription of prosecution and punish the criminals.

They also urged the "National Assembly" to institute a special law not applicable to the prescription of prosecution with a view to probing the truth behind the May incident and punishing those responsible.

Overseas Groups Call for New Peace Mechanism

SK0208150695 Pyongyang KCNA in English
1502 GMT 2 Aug 95

[Spelling of newspapers as received]

[FBIS Transcribed Text] Pyongyang, August 2 (KCNA) — The proposal of the Democratic People's Republic of Korea to establish a new peace mechanism is fully supported by the world public.

Director of the Indian Centre for the U.N. Study M.M. Verma said in a recent press statement that establishing a new peace mechanism to ensure a lasting peace in the Korean peninsula is an urgent matter which brooks no further delay.

He said that the United States should bear in mind that establishing a peace mechanism conforms with its own interests and determine with a reasonable judgement and view.

The Zimbabwe-Korea Solidarity and Friendship Association demanded in a statement that the United States accept without delay the proposal of the DPRK to replace the Korean Armistice Agreement, remains of the Cold War, with a peace agreement and establish a new peace mechanism in the Korean peninsula.

The Tanzanian Paper MZALENDO on July 23 said that the United States is a legal party concerning the establishment of a peace mechanism and the South Korean authorities have no justification to meddle in the matter.

The United States and the South Korean authorities have come out with the issue of the parties concerned in establishing a peace mechanism with the intention of blocking it, the paper said.

The Ugandan paper NGABO on July 23 said that if the United States really wants the peace and peaceful reunification of the Korean peninsula, it should stop all war provocation manoeuvres that aggravate tension and sincerely accept the proposal of North Korea to replace the armistice agreement with a peace agreement.

The Kazakh papers KAZAKHSTANSKAYA PRAVDA and WESTSI KAZAKHSTANA, the Pakistani paper AL AKHBAR and radio said that a new peace mechanism should be established in the Korean peninsula.

Reunification Festival Supported Overseas

Letter Sent From Canada

SK0308113195 Pyongyang KCNA in English 1020 GMT 3 Aug 95

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — Permanent advisor Kim Tae-chong, advisor So In-yol and central permanent Chairman Kang Min-chol of the Canadian headquarters of the Council for the Independent and Peaceful Reunification of the Nation sent a letter to the national preparatory committee for the grand national reunification festival to celebrate the 50th anniversary of the national liberation.

The letter dated August 1 said that the proposal made by the homeland in the North for cosponsoring the August 15 grand national reunification festival during which representatives of all parties, all groupings and all walks of life of the 70 million Korean people will gather at Panmunjom on August 15 to hold a grand national conference and jointly discuss and confirm the way of national reunification, is the most patriotic and noble proposal.

We fully support the proposal as it accords with the three principles of national reunification and "10-point programme of the great unity of the whole nation for the reunification of the country" advanced by the great leader President Kim Il-song, the letter said, and stressed: We will send a representative of our organization to the conference. The letter expressed the belief that the proposal for the Foundation of the Democratic Confederal Republic of Koryo which was made by the great leader President Kim Il-song is the most just proposal for reunification and emphasized that they would make positive efforts to carry it into effect.

Resolution Adopted in Japan

SK0208150995 Pyongyang KCNA in English 1506 GMT 2 Aug 95

[FBIS Transcribed Text] Tokyo, July 31 [date as received] (KNS-KCNA) — A meeting of female Koreans for the reunification of the country was co-sponsored in Tokyo by the Democratic Union of Korean Women in Japan and the Democratic Society of South Korean Women in Japan on July 29.

Speeches were made at the meeting.

Saying that the division of the country should be ended, the speakers stressed that the Korean women in Japan should strive to make a breakthrough in realising reunification and, for this, achieve unity of Koreans in Japan.

A resolution was adopted at the meeting.

It said:

We fully support the grand joint national reunification festival of Koreans in the North, South and abroad to be held at Panmunjom on the occasion of the 50th anniversary of the liberation of the country on August 15 and will do our best to hold it successfully. We will try to completely abolish the "National Security Law" obstructing the great national unity and the reunification of the country.

The resolution demanded the Japanese Government to earnestly discharge its obligation for the postwar settlement for Korea and make a thorough probe into the truth behind "comfort women for the army" as a war crime and open its results to the public.

Chongnyon Group Meets Yi In-mo

SK0308052195 Pyongyang KCNA in English 0439 GMT 3 Aug 95

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — The home-visiting group of students of the Korean University under the General Association of Korean

Residents in Japan (Chongnyon) led by Kim Chong now staying in the socialist homeland met with Yi In-mo, the incarnation of faith and will, on Wednesday.

Yi In-mo said at the meeting that he could hold fast to his revolutionary principle to the end in spite of the enemy's 34-year long maltreatment in South Korea and return to the DPRK, because he firmly believed the great General Kim Il-song as a mental mainstay and fought looking up to him.

He expressed the full conviction that the young people and students of the new generation of Chongnyon would firmly believe only respected General Kim Chong-il all the time and vigorously struggle for their own socialist homeland.

Members of the group said that they would prepare themselves as true sons and daughters of chuche Korea who always devote themselves to respected General Kim Chong-il with loyalty and filial piety by learning from the indomitable revolutionary spirit of the incarnation of faith and will, Yi In-mo.

Delegations From Japan, Egypt Visit Mansu Hill

SK0308045395 Pyongyang KCNA in English
0431 GMT 3 Aug 95

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — A delegation of the All-Japan Trade Union of Crewmen led by its Deputy Chief Yasushi Sasaki and an Egyptian film delegation led by director of the Festival Department of the Ministry of Culture of Egypt Khalil Abdel Monem Khalil visited the great leader President Kim Il-song's statue on Mansu Hill, laid a floral basket and bouquets before the statue and made bows on August 1.

WFTU Delegates Cite Socialism's Advantages

SK0308110095 Pyongyang KCNA in English
1009 GMT 3 Aug 95

[All names as received]

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — Members of the delegation of the World Federation of Trade Unions [WFTU] elaborated on the advantages of the socialist system of Korea in an interview with reporters here on July 31 before their departure.

WFTU President Antonio Neto said that his visit to Korea hardened his belief that only socialism is the future of humankind. In capitalist countries tens of millions of illiterates, unemployed workers and orphans wander about on the street and live in poverty, homeless under bridges and sewerages, he noted, and went on:

I was moved to see everyone in Korea live in his own house with a stable job. There is neither unemployed worker nor beggar.

Such reality has been brought about thanks to the wise guidance of the great leader Comrade Kim Il-song. The reality of Korea shows that the only way of defending socialism brings happiness to the people.

WFTU Secretary General Alexandr Jarikov stated that the visit to Korea by the delegation was aimed at expressing firm solidarity for the Korean people in their struggle for the just cause.

He said that after visiting Panmunjom, they sent a telegram to the UN secretary general, demanding a stop to the U.S. imperialists' interference in Korea according to the resolution of the 30th session of the UN General Assembly.

He wished the Korean working people, who are rallied close around the great leader Comrade Kim Chong-il, a new success in their struggle to build a more prospering country and achieve the reunification of the country.

Ewa Spychalska, chairperson of the All-Poland Trade Unions Alliance, said that during her stay she saw all the people working with their jobs and keenly felt that Korea is a genuine world of the working class.

The inspection of the Kim Chong-suk nursery impressed her most, the chairperson noted, adding: The children here have known very well whom they should thank for their happiness.

WFTU Secretary Debkumar Ganguli said:

The life of the Korean working people shows the advantages of socialism. Only socialism can make a social progress and realize the desire of the people.

WFTU Vice-president Djibril Diop said: We cannot say about the present-day development of Korea apart from the socialist idea. This is why, the imperialists are afraid of the might of the socialist idea.

There is no more powerful idea than the socialist idea and the advantages of socialism has been proved through practice.

Delegation Returns From Southeast Asia

SK0308072595 Pyongyang Korean Central Broadcasting Network in Korean
1300 GMT 2 Aug 95

[FBIS Translated Text] A delegation of the DPRK Foreign Ministry led by Vice Minister Choe U-chin returned home by plane on 1 August from a tour to Indonesia, Singapore, Malaysia, and Thailand.

Kim Chong-il Sends Messages to Foreign Leaders

SK0308050095 Pyongyang KCNA in English 0427 GMT 3 Aug 95

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — The great leader Comrade Kim Chong-il sent messages to foreign party and state leaders in reply to their messages on the first anniversary of the death of the great leader President Kim Il-song.

The replies went to:

Comrade Fidel Castro Ruz, first secretary of the C.C.[Central Committee], the Communist Party of Cuba, president of the Council of State and president of the Council of Ministers of the Republic of Cuba; Ilyas al-Hirawi, president of the Republic of Lebanon; Hafiz al-Asad, president of the Syrian Arab Republic; Sardar Farooq Ahmed Leghari, president of the Islamic Republic of Pakistan; Benazir Bhutto, chairperson of the Pakistan People's Party and prime minister of the Islamic Republic of Pakistan; Yasir 'Arafat, president of the State of Palestine, chairman of the Executive Committee of the Palestine Liberation Organization and head of the Palestine National Authority; Le Duc Anh, president of the Socialist Republic of Vietnam; Lansana Conte, president of the Republic of Guinea; Sani Abacha, head of state and commander-in-chief of the Armed Forces of the Federal Republic of Nigeria; Mu'ammar al-Qadhdhafi, leader of the Great September First Revolution of the Great Socialist People's Libyan Arab Jamahiriya; Alpha Oumar Konare, president and head of state of the Republic of Mali; Blaise Compaore, president, head of state, and chairman of the Council of Ministers of Burkina Faso; Mohamed Abdelaziz, president of the Saharan Arab Democratic Republic and secretary general of the Polisario Front; Abdou Diouf, president of the Republic of Senegal; France Albert Rene, president of the Republic of Seychelles; Obiang Nguema Mbasogo, president and head of state of the Republic of Equatorial Guinea and chairman-founder of the Democratic Party; Ali Hassan Mwinyi, president of the United Republic of Tanzania; Gnassingbe Eyadema, president of the Republic of Togo; Liamine Zeroual, president of the Algerian Democratic and People's Republic; Jose Eduardo dos Santos, chairman of the Popular Liberation Movement of Angola and president of the Republic of Angola; Yoweri Kaguta Museveni, president of the Republic of Uganda; Zoran Lilic, president of the Federal Republic of Yugoslavia; and Muhammad Husni Mubarak, president of the Arab Republic of Egypt.

Comrade Kim Chong-il also sent replies to Chea Sim, acting head of state of the Kingdom of Cambodia and chairman of the C.C., the People's Party of Cambodia; and First Prime Minister Norodom Ranariddh and Second Prime Minister Hun Sen of the Royal Government of Cambodia.

In the replies, Comrade Kim Chong-il expressed deep thanks to them for the messages carrying their reverence for President Kim Il-song on his first death anniversary.

They highly praised the exploits of President Kim Il-song and expressed firm solidarity with the Workers' Party and people of Korea in the efforts to carry his cause to completion, Comrade Kim Chong-il noted, adding that "this greatly encouraged us."

He expressed the belief that the friendly and cooperative relations between the DPRK and those countries will continue to consolidate and develop.

Thanks Workers, Scientists

SK0308044995 Pyongyang KCNA in English 0430 GMT 3 Aug 95

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — The great leader Comrade Kim Chong-il sent thanks to the Pyongyang General Lighting Appliances Factory, the Munsu Housewives' Production Co- operative in Taedonggang district, Pyongyang, writer of the Central Committee of the Korean Writers Union Yi Chae-nam, chief of a room of the Pyongyang University of Railways Yi To-song and other units, officials and working people for their active assistance to servicemen who took part in building the Chongnyu Bridge (2nd stage) and the Kumnung Tunnel No. 2.

His thanks also went to officials and scientists of the branch of biology of the National Academy of Sciences, officials and workers of the central zoo and of the Usi Chemical Factory in Chagang Province, members of the Veterans' Art Propaganda Squad in Hukgyo-ri of Hwangju County, North Hwanghae Province, and worker of the state-run Chosan Farm Pak Tae-song, for good things they did for society and the collective.

Receives Gift From Bhutto

SK0308050295 Pyongyang KCNA in English 0441 GMT 3 Aug 95

[FBIS Transcribed Text] Pyongyang, August 3 (KCNA) — The great leader Comrade Kim Chong-il received a gift from Benazir Bhutto, prime minister of Pakistan.

The gift was handed to an official concerned by Pakistani Ambassador to Korea Rehmdil Bhatti on August 2.

Country of Chuche 'Ideological Superpower'

952C0148A Pyongyang NODONG SINMUN in Korean 31 Mar 95 p 2

[Political essay by reporter Kim Chong-ung: "Ideological Superpower"]

[FBIS Translated Text] The 50th founding anniversary of the party and the 50th anniversary of the liberation of the fatherland mark a shiny milestone towering on the road of building a stronger and richer country.

Fifty years, though a twinkling moment in history, are long enough to separate one generation from the next.

The world has seen many changes in these past 50 years.

Yet Korea stands out at the corner of the East as a great country forging ahead without a pause, undaunted by any unprecedented ordeal and change, an invincible country that shines all the more brilliantly by demonstrating all the greater vitality when an adversary tries to isolate and smother it.

The existence of Korea, the country of chuche, poses an important question for our times and humanity.

How does it happen that Korea, a small country, is forcefully forging ahead, with its place at the apogee of the regular orbit of history, whereas a country which once boasted of being an economic and military superpower has crumbled?

What is a superpower like in the true sense of the word? How is [the status] attained?

Some years ago the great leader [yongdoja] Comrade Kim Chong-il passionately made the following point to functionaries: A big country does not necessarily generates a great thought. A country, however small, has a great guiding thought when its leader is great, and it can become a superpower.

Our country is an ideological superpower!

An ideological superpower is the most powerful country!

This is a profound answer to the times and humanity given by the Korean revolution, which has waged a heroic struggle for self-reliance, national independence, and socialism, exploring an untrodden path during the 20 years of the anti-Japanese revolution and the 50 years of creation and construction. That theme is also what history proclaims.

It was not until now that history proved vividly that an ideological superpower is the most powerful country and that the ideological fortress is the stronghold of a real superpower.

A certain foreign writer visited our country during the tragic incidents in which socialism crumbled in some countries, and he also shared our sorrow during the saddest moment when we lost the great leader Comrade Kim Il-song. The same writer, a native of a crumbled, former superpower, said: "Under the complex circumstances in which the world's reactionaries are mounting a frenzied general offensive, the bastion of socialism on the Korean peninsula towers firm rock-like." "It is a lesson of history," he added, "that ideology is a great weapon."

Self-reliance is proof of a country's powerfulness, and the real might of a country manifests itself in unity.

The words ideological superpower means a self-reliant power which undauntedly and confidently carries on the national lineage with its own philosophy, and which defends its dignity and honor as the apple of the eye. It also means a country of wholehearted unity, its people rallied closely around the leader with one ideological will.

Our power and our outstanding victories, as well as the intense national pride and confidence of our people, are all associated with the words "ideological superpower."

An ideological superpower—this is the most precious spoil of our age in which our people take immense pride in the fact that our guiding ideology is great because our leader, our leader [yongdoja], is great.

Today the torch on the Chuche Ideology Tower in our capital is burning brightly, illuminating the universe.

The torch on this tower keeps saying that the great chuche ideology is immortal and eternal in this great ideological superpower.

The chuche ideology, the guiding thought of our time, which occupies the most eminent place in the history of human thought, is the beacon fire, lever, and locomotive leading and moving our country toward the strongest position in the world.

In retrospect, could anyone have imagined that Korea, which once disappeared from the world map because it departed from the chuche ideology, would one day shine brilliantly in the world as a strong, dignified sovereign independent state?

But for this great ideology it would have been impossible to embroider the glorious brilliant history of Korea, which carried out two phases of the socialist revolution, defeated two imperialist wars, and advanced from a backward country to a strong, self-dependent, self-supporting, and self-reliant socialist power in just one generation.

In truth, the light of Korea illuminating the universe is the light of chuche ideology, and likewise the mighty power of Korea is the power of chuche ideology.

Whenever we speak of the immortal chuche ideology and an ideological superpower, we think of the fatherly leader and the respected and beloved Comrade Kim Chong-il.

A nation should have its own philosophy, and only a nation with its own philosophy can sing the joy of true prosperity.

That is why people say that the greatest contribution the leader of the revolution can make to the country, nation, and humanity is to create a great guiding ideology and open a new chapter of history by its light.

The respected and beloved leader Comrade Kim Il-song bestowed upon us the great chuche ideology, the life of our nation. Under its banner he erected socialism in this land, built a rock-solid foundation upon which our country would eternally grow strong, and bequeathed it to us as a permanent legacy.

The great leader [yongdoja] Comrade Kim Chong-il tended the chuche ideology—which the fatherly leader planted and cultivated in the soil of our people—until it grew into a rich fruit-bearing tree, thereby building our country into one that will shine forever as an ideological superpower.

The presence of a contemporary guiding ideology does not automatically insure a country the position of a superpower.

Only when, under the sagacious leadership of an outstanding leader with a philosophy and a firm political conviction, all sectors of society are completely permeated with his great ideology and all people in the country are armed airtight within it, can the country shine forever as an ideological superpower both in name and reality.

Accomplishing this great feat is incomparably more difficult than erecting an economic superpower or a military superpower. But building an ideological superpower is a sacred historic task that must be accomplished without fail.

Once the great leader [yongdoja] Comrade Kim Chong-il made this meaningful point: Revolutionaries regard red as a symbol of revolution because, unlike white, which is easy to dye, red has a strong penetrating power. On the other hand, yellow, which represents neutrality, symbolizes opportunism.

Revolutionaries have a superior ideology that can, like red, overwhelm outmoded thoughts. However, there can be a vacuum in people's minds.

For a country making revolution to permit a neutral thought like yellow signifies permitting the infiltration of capitalist ideology.

It is precisely because of this that all types of reactionaries throughout history wished so persistently to see the red flag abandoned and tried so hard to stir up the black and yellow winds.

The fall of some socialist countries signifies the political bankruptcy of the socialist renegades and opportunists who permitted the infiltration of capitalist ideology.

Our country, the country of chuche, is one that knows of no deals or concession when it comes to ideological questions. We can proudly demand that the country be dyed one ideological color because we are seeking the foremost just cause with the most scientific ideology.

The great leader [yongdoja] Comrade Kim Chong-il early on pointed out as follows: "We advocate the ideological theory that the people's thought is basic to the revolutionary struggle and construction and decides all things."

The ideological theory that the thought of the people is basic to the revolutionary struggle and construction and decides all things is the revolutionary philosophy always emphasized by the great leader [yongdoja] Comrade Kim Chong-il.

Even steel tempered with fire corrodes in rain and snow. But the chuche ideology has an eternal life, just as the inherent nature of man seeking an independent stand and attitude is unchangeable. It is a powerful weapon which can alter even nature, society, and man according to the demands of chuche.

That is why we claim that ideology is stronger than steel.

Ideology decides all things.

In accordance with the ideological theory of chuche, we always attach decisive significance to ideological factors under all circumstances and resolve all problems by enhancing the role of ideological consciousness.

Each time we embraced an immortal classic masterpiece, such as "On the Chuche Ideology" and "Socialism Is Science," we observed with deep emotion the noble and august features of the respected and beloved Comrade Kim Chong-il, who has developed and enriched the chuche ideology by adding fresh principles and substance to suit our time and developing reality while constantly arming our people with it.

"The great leader Comrade Kim Il-song stays with us forever." "Let us arm ourselves more airtight with the revolutionary thought of the great leader Comrade Kim Il-song!"

From these slogans of faith that we embraced in the midst of our great sorrow over the sudden loss of our nation's founding father, we witnessed with emotion the respected and beloved Comrade Kim Chong-il's unshakable determination to hold the great leader in high esteem forever and make our country, our fatherland, richer and stronger on the one road of brilliantly carrying on and implementing his revolutionary thought.

Ours is a country in which we have the philosophy of wholehearted unity centering around the leader in achieving unity, the foundation of revolution; the thought of protecting humanity is pulsating in our functionaries' work method and style of activity; and the thought of civilian-military unity is fluttering in the relationship between soldiers and civilians.

Indeed the whole country has become a school for ideological education and a temple of education in conviction. This is the reality of our fatherland.

Today our people are singing the praise of the respected and beloved Comrade Kim Chong-il as a great leader [yongdoja], a great ideological theoretician. They proudly call their country—led by him—an ideological superpower.

An ideological superpower is the most powerful country.

Socialist Korea is a powerful state with a strong spirit of independence that defends its national dignity and does not sway under any thunderstorm—a proud, dignified country staunchly forging ahead by overcoming all difficulties through the power of wholehearted unity.

The ideological superpower is most noble and beautiful.

Our country is overflowing with the thought of collectivism, the fine communist customs bursting in full bloom throughout society.

The country, brimming over with loyal subjects, filial sons and daughters, and possessors of credo's and strong will, is our fatherland, an ideological superpower.

Look at our people, who have been brought up in the bosom of the great leader and who resemble the respected and beloved Comrade Kim Chong-il in noble temperament and ethos.

All Koreans living in this land—be they KWP members or youths—are ideological theoreticians, ideologically and mentally strong with a granite faith and a steel-like willpower.

Being ideological theoreticians, our people are dedicating their loyalty to the great leader [yongdoja], firmly believing that when they unite around him in one mind all the more closely under the current severe circumstances, they can make their country stronger and richer.

Being ideologically and mentally strong people, all Koreans, no matter where they may be and in whatever confrontation or battle of wills they may involved, are accustomed to winning, cherishing the proud thought that the Korean people are number one and refusing to bend their faith in chuche in the least.

If we are to measure the power of our country full of loyal subjects and filial sons and daughters in terms of wealth, it is greater than all the wealth in the world combined. If we are to measure it in terms of weapons, it is more powerful than all the weapons in the world combined.

The following happened some years ago when the imperialists and all types of reactionaries were engaged in a fierce offensive and a noisy racket of pressure against our country. The allied imperialists forces, mobilizing a huge armed force, tried to calculate by computer the military strength of the DPRK and the possible losses they might suffer. The computer, which they claim gives a correct projection each time, came up with plausible figures. However, they confessed that there was no way of calculating the willpower and wholehearted unity of the Korean people. It is this ideological wealth of our people, the weapon of wholehearted unity, that our adversaries are most afraid of.

Because of the loftiness of our ideology, in our country we are always the master, not the captive, of a given situation and the controller, not the slave, of the environment.

Because of the power of our ideology, our country is ever victorious and will be rich, strong, and prosperous forever.

Just as the sun illuminates the universe with its own light, just as the earth moves in its own orbit, the guiding ideology illuminating the road ahead for us, as well as our superpower under the wings of the great leader [yongdoja], is immortal.

Long live the ideological superpower!

Ideological Consciousness Governs Human Activity

SK0108150995 Pyongyang KCNA in English
1504 GMT 1 Aug 95

["Ideological Consciousness Is Decisive in Man's Activity" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, August 1 (KCNA) — NODONG SINMUN today carries an article titled

"Scientific Exposition of the Decisive Role of Ideological Consciousness."

The great leader Comrade Kim Chong-il, in his famous work "Giving Priority to Ideological Work Is Essential for Accomplishing Socialism," elucidated the idea that ideological consciousness plays a decisive role in human activity.

In the work Comrade Kim Chong-il said:

"Ideological consciousness plays the decisive role in human activity. Because it reflects man's demands and interests, ideological consciousness governs all his activities and serves as the prime mover which propels him to struggle to transform the world."

The author of the article says:

This theory is a unique one, the first of its kind in the history of human thought.

Comrade Kim Chong-il was the first in history to make clear in a unique way that consciousness is, in essence, the sophisticated function of man's brain for social integrity and activity intrinsic to human beings and that man's consciousness constitutes knowledge reflecting the objective world as well as ideological consciousness reflecting man's demands and interests and ideological consciousness plays a decisive role in defining his activity.

This is an immortal contribution of epochal significance in the development of human philosophy.

The chuche-based theory on giving priority to ideology expounded by Comrade Kim Chong-il has its truth and validity fully proved through practice.

Parties in some countries which were building socialism in the past clung to economic construction alone. They took a dogmatic approach to preceding theory that man's activity is decided by objective material conditions, and attached a decisive significance to the objective material and economic conditions in socialist society.

The collapse of socialism in those countries goes to show how important the role of ideology and ideological work are in man's activity and the accomplishment of the socialist cause.

Our party, basing itself on the chuche-oriented concept that ideological consciousness is decisive in man's activity, has been able to triumphantly advanced revolution and construction with main stress put on ideology and priority given to the ideological work in the accomplishment of the socialist cause.

Today all our people are devoting their all to the socialist cause of chuche with a firm faith in socialism. This is a proud fruition of the veteran and experienced guidance of the great leader Comrade Kim Chong-il, who has constantly grasped it as an important principle in party building and activity to put main stress on ideology and place ideological work before anything else.

Party Slogan 'We Serve the People' Stressed

SK0208112495 Pyongyang Korean Central Broadcasting Network in Korean 0948 GMT 31 Jul 95

[Unattributed talk: "Party Slogan 'We Serve the People' Is Action Guideline for Functionaries"]

[FBIS Translated Text] With each passing day, the slogan "We serve the people," a crystal of the sacred ideology and firm will of the great leader [yongdoja] Comrade Kim Chong-il, greatly displays its vitality in its revolutionary practice.

The party slogan "We serve the people" is a motto of work and life as well as a guideline for action by our functionaries who grew up as the commanding members of the revolution under the trust and love of the great leader [suryongnim] and great leader [yongdoja] Comrade Kim Chong-il.

The ideology consistent with the slogan is that functionaries will devote everything for the people, holding the view and position that they are the true loyalists and sincere servants of the people. Why has the slogan "We serve the people" become a guideline for functionaries to adhere to in their work and life? First, this slogan has enabled functionaries to fulfill their duties in compliance with the mission of our party that takes care of the destiny of the popular masses in a responsible manner.

What is important for the party of the working class in order to fulfill its sacred mission and duty is to carry out the politics of love and trust based on the chuche-oriented view and on the position of the popular masses. The sacred mission in the politics of love and trust can be carried out by functionaries who are the commanding members of the revolution and the core force of the party. Therefore, the revolutionary duty of functionaries is to achieve the party's sacred mission.

The action guideline for fulfilling the revolutionary duty of functionaries is the party's slogan "We serve the people." Clearly specified in the slogan are the attitude and position functionaries should assume in dealing with the people, as well as the way to work for the people. From the viewpoint of attitude and position, they are loyal servants of the people, and should serve and work for the people. This is an important demand for functionaries to fulfill their revolutionary duty.

For functionaries to deal with the popular masses from the viewpoint that they are loyal servants of the people, this indicates they regard the popular masses as the most valuable and powerful existence, and truly trust in and love them. In other words, this means they regard the popular masses as teachers, always learning from them; that they fully serve and respect them; and that they solve all problems with all their might.

Functionaries do not possess a unique existence above the popular masses. They come from the people. Also, they are the revolutionary comrades who equally share their fate with workers along the revolutionary road, even though their revolutionary duty differs from that of workers. Thanks to the trust of the party and leader, and to credit by the people, functionaries maintain only a planning and commanding position in implementing the party's lines and policies. Therefore, functionaries should regard it as their duty to always uphold the people as their teacher; to respect their demands and interests; and to lead their destiny in compliance with the party's intent. By fulfilling these duties, they should fully discharge their mission and duty pledged before the party.

The reason the party's slogan "We serve the people" becomes an action guideline that functionaries should adhere to is because this enables them to work as demanded by the party's revolutionary mass line. As a result, it has made it possible for functionaries to firmly consolidate the bloody ties between the party and the masses.

The great leader Comrade Kim Chong-il has indicated that the slogan "We serve the people" is presented by our party to rightly link the party's leadership to the revolutionary mass line.

The party's invincibility can exist only if it is deeply rooted among the popular masses and if it lives in perfect harmony with them. Functionaries play an important role in achieving the bloody ties between the party and the masses. Through functionaries, the popular masses can receive the party's ideology and intent and can feel the party's breath. Each word and action by functionaries is directly linked to the work that consolidates the masses' trust in the party as well as safeguards and defends the party's authority.

For functionaries to strengthen the bloody ties between the party and the masses, they should firmly adhere to the party's slogan "We serve the people." Included in the slogan is a demand that functionaries loyally serve the people and strengthen the bloody ties with the popular masses by thoroughly applying the revolutionary mass line to their work and to their life.

The revolutionary mass line is a principle of activity based on the viewpoint that the driving force of the revolution and construction is the popular masses. Functionaries who serve the people should regard the revolutionary mass line as the basic principle for their activity. Thus, they should thoroughly apply it to the entire course of their work and life.

As demanded by the revolutionary mass line, functionaries should protect the popular masses' interests, go down among them, and carry out the work with them. Therefore, they should establish the revolutionary work method and the people-oriented work style that leads the masses by setting examples and by showing by practice rather than by precept, thus sleeping, eating, and sharing their fate with the people. When they do so, the people will absolutely trust in and highly uphold the party. Also, the solidarity between the party and the masses can be further strengthened.

The party's slogan "We serve the people" can become an action guideline that makes it possible for functionaries to fulfill their mission, firmly consolidating the bloody ties between the party and masses by thoroughly implementing the revolutionary mass line.

Another reason the party's slogan "We serve the people" becomes an action guideline that functionaries should adhere to is because this enables them to highly display the superiority of the popular mass-centered socialism of our own style by thoroughly carrying out the party's benevolent politics to provide a more rewarding and happy life for the people. The superiority and invincibility of our own style of socialism have been mainly displayed in the party's and state's guarantee for a valuable and happy life for the people.

For functionaries to sincerely serve the people is an important demand that makes it possible for the people to more freely enjoy the valuable and happy life given them by the party and state. The party's and state's warm love and consideration to provide the people with a valuable political life, an abundant material life, and a civilized ideological and cultural life can be given more properly and rapidly only if functionaries struggle with the devoted spirit of serving the people. Because of this, the party's slogan "We serve the people" becomes an action guideline functionaries should adhere to.

Today, such influential party slogans are effecting a new upturn in the ideological and spiritual ethos as well as the work style of functionaries. In the vigorous flame of the Chong Chun-sil movement ignited by our party, a great many functionaries, including functionaries at the

Kwangchon Food Plant and the Kwangchon Veteran Plastic Daily Necessities Plant, have displayed the noble ideological and spiritual ethos that they will do everything if it is the work of the people. As a result, they grew up as true loyal servants whom the people love and respect.

Also, the revolutionary work method and people-oriented work style are being firmly rooted in functionaries. As a result, functionaries are managing the country's economy with their own might and are constantly enhancing the people's standard of living, like the functionaries in Paengsan County.

Today, it is the sacred duty of our functionaries to constantly and thoroughly apply the party's slogan "We serve the people" to their work and life, and to adhere to it as the guideline of their activity. First, to embody this slogan, functionaries should establish the revolutionary work ethos and the struggle ethos that unconditionally and endlessly implements the party's line and policy. Also, by having a revolutionary view of the masses, they should always go down to the popular masses, listen to them, inspire their might and wisdom, and make constant efforts to enhance their political and practical qualifications.

The party's slogan "We serve the people" is a revolutionary slogan that should be maintained forever along with the advance of our revolution, as well as an action guideline our functionaries should constantly adhere to, regarding it as the motto of their work and life.

All functionaries should more highly raise this slogan along the leadership of the great Comrade Kim Chong-il. As a result, they should fully display the superiority of our own style of socialism and actively contribute to hastening the final victory of the chuche socialist cause.

Company Commanders Should 'Look After' Soldiers

952C0136A Pyongyang NODONG SINMUN in Korean 29 Mar 95 p 2

[Article by Reporter Pak Chang-son: "Be Big Brothers and Sisters, Sharing the Bitter With the Sweet"]

[FBIS Translated Text] On 15 March our people and the officers and men of our People's Army [KPA] were excited when they heard the heartwarming news that the respected and beloved supreme commander Comrade Kim Chong-il had attended a conference of company commanders and political guidance officers which was convened under his instruction. Why?

It was because they were moved by the thought that our people have such an outstanding military commander that the [departed] leader's noble purport in defining companies as the core basic combat units of our revolutionary armed forces for the first time in history is being faithfully carried on and enriched further.

From the early days when he began to lead our revolutionary armed forces, the respected and beloved supreme commander Comrade Kim Chong-il set forth the slogan of loyalty "Let us fight with our lives for the great leader!" as the goal of the soldiers under arms in life and struggle, paying profound attention to strengthening the companies while advancing the leader's chuche-based idea of building the military.

One day in the fall of 1974, some 20 years ago, Commander Kim Chong-il visited an artillery company during his ongoing on-the-spot guidance tour.

He paid this visit in the middle of the struggle to implement the programmatic teaching given by the great leader at the first conference of KPA company commanders and company political guidance personnel in the history of military building. It was arranged by the great leader himself.

The respected and beloved commander Comrade Kim Chong-il was briefed in detail on the actual state of the company by the company commander, who was greatly moved by the visit. While taking in a panoramic view of the company, he paused for quite some time and watched the huge board carrying slogans in the front yard of the compound.

Against the background of the picture of a rocket ready for launch, the slogan "Speed battle, forward!" and the words "political-ideological preparations," "physical preparations," and "military-technical preparations" were laid out in harmony. The mere sight of them was enough to excite viewers.

The respected and beloved supreme commander said that the substance as well as the form of the slogan board was excellent, adding that he could vividly feel from these slogans soldiers' determination to implement the tasks outlined by the great leader at the first conference of KPA company commanders and company political guidance personnel by waging speed battle. Saying he wanted to look round the company, he visited hospital beds, the mess hall, and even the vegetable storage house, with tender concern for soldiers' living conditions.

Arriving at the artillery emplacement, the respected and beloved commander told the artillerymen that the company should step up combat training to suit the demands of modern warfare, so that in the event of war they might crush the enemy at one stroke, and he taught them concrete ways to do so one by one.

On that day the great leader [yongdoja] Comrade Kim Chong-il instructed the company commander to not only fix his company airtight in military-technical terms but also to step up political work.

He said: "The company commander and political guidance personnel should look after the daily lives of the soldiers."

While giving on-the-spot guidance on company life, the respected and beloved supreme commander taught the company commander and political guidance personnel that, in order to properly perform their role as big brothers and sisters, they need to constantly improve their political and administrative qualities and cultivate the 10-point communist-style fighting and moral character set forth by the great leader.

Mulling over the lofty purport of the supreme commander's teaching, the commanding personnel of the battery firmly resolved to act as real big brothers and sisters and consolidate their company into a one-is-a-match-for-100 fighting force as instructed by the supreme commander.

The similar on-the-spot tours the respected and beloved Comrade Kim Chong-il has taken one after another to strengthen KPA companies are too numerous to count.

The first place the respected and beloved supreme commander Comrade Kim Chong-il visited on New Year's Day this year was a KPA company. Prior to 16 February, the foremost holiday of our nation, he visited a women's shore battery on the foremost front line.

Wishing to raise our KPA personnel as ideological stalwarts, the respected and beloved Comrade Kim Chong-il always warmly leads company political guidance personnel by the hand so that they may enhance their role as big brothers and sisters.

Some years ago, despite his busy schedule, the respected and beloved Comrade Kim Chong-il one day took time out to summon a company political guidance officer to his side and teach him in great detail how to carry out company political work.

After acquainting himself minutely with the real state of political work and the daily lives of the company's soldiers during his visit, the respected and beloved Comrade Kim Chong-il told the company political guidance personnel that they must always go among the soldiers to carry out political work in a substantive manner, saying that is the first step in their work. He then explained to them in concrete terms how to bring up the soldiers to be chuche-oriented revolutionary fighters who are infinitely loyal to the party and the leader by vigorously carrying out political work to suit the peculiar characteristics of the soldiers, just as the political guidance personnel of the anti-Japanese guerrilla force did.

This past mid-March the respected and beloved Comrade Kim Chong-il arranged a conference of KPA company commanders and political guidance personnel and attended despite his busy schedule, giving encouragement and inspiration to those present. This is just one example of his boundless efforts for and devotion to strengthening companies as cells, the basic combat units, of the KPA.

Under his affectionate and trusted care, numerous company commanders have been brought up who are endeared by their soldiers as warmhearted big brothers or sisters. Powerful and loyal base-level combat units, such as "the Heroic Yi Su-pok Company" and "the Heroic Kim Kwang-chol Company," have mushroomed. The fine custom of unity between officers and men, unity between the military and civilians, and unity between the party and soldiers [tangsa ilchi] is blooming.

The story of a company guidance officer who tried her best to relieve the mental agonies of a soldier by showing the kind of sympathetic understanding his eldest sister would have shown; the heart-warming story of a squadron commander who did not hesitate to lay down his life in an accident encountered during a training flight, true to the high standard of loyalty to the party and the leader...

Each time he received a report on this kind of deed, the respected and beloved Commander Kim Chong-il always treasured it and gave prominence to the person involved as a model for the whole army, praising him or her as a true hero.

Company commanders and political guidance personnel who have developed under the boundless affection and trust of the respected and beloved Supreme Commander Comrade Kim Chong-il are burning with determination to uphold his leadership with loyalty.

Comrade Choe Myong-ok, commander of a women's shore battery, was not only honored by the respected and beloved Supreme Commander Comrade Kim Chong-il's visit to her company but also by a gift of a medicinal cream presented by him.

She said: "We will bring up all our soldiers to be all-round one-is-a-match-for-100 warriors, true loyal subjects and filial daughters sharing their fate with the respected and beloved Supreme Commander Comrade Kim Chong-il by cherishing deep in our hearts the honorary title of the big sisters bestowed by him."

This represents the unanimous sentiment of all company commanders and company political guidance personnel of the KPA who are infinitely loyal to the great commander, the respected and beloved Comrade Kim Chong-il.

Chongjin's Ideological Education Work Reported

952C0136B Pyongyang NODONG SINMUN in Korean 27 Mar 95 p 2

[Article by unidentified reporter: "From the Work of the Chongjin Port Base-Level Party Committee"]

[FBIS Translated Text] One day a functionary of the Chongjin Port base-level party committee went down to Pier Workers Unit 1 to go among the workers there.

It happened to be lunch time when he arrived, and an agitator was giving a talk on the miserable plight of the people in those countries where socialism has broken down and capitalism has revived. His talk sounded quite logical.

However, the base-level functionary felt that the talk was not good enough. He asked a youth right next to him what his reaction was after listening to the agitator's explanation. However, the youth did not give a satisfactory response.

The great leader [yongdoja] Comrade Kim Chong-il pointed out as follows: "...You must prepare good materials on the miserable plight of the countries where socialism has fallen and capitalism has revived, before carrying out indoctrination by means of contrast."

As is the case with all other aspects of ideological education, the indoctrination work designed to acquaint party members and workers with the truth—the truth that socialism triumphs when it is protected, but perishes if abandoned—can be more effective when it is conducted by using contrasting examples on the basis of well-prepared countervailing evidence.

Having learned this lesson, the base-level party committee first put forth efforts to prepare vivid countervailing evidence in order to conduct this indoctrination work. The functionaries of the base-level party committee, from the secretary and deputy secretary down, collected materials from NODONG SINMUN and other publications showing the miserable plight of people in socialist countries that had turned capitalist. They analyzed these materials by contrasting them with materials showing the happiness of our people. On the basis of this analysis, they had serious discussions about the particular forms in which particular materials should be displayed, and how the manuscripts should be prepared accordingly. In this process they came to prepare a large display board on the theme "Socialism triumphs when protected, but perishes when abandoned." With this display board functionaries conducted indoctrination on the miserable plight of people in former sociaist countries by contrasting the two sytems.

A functionary of the base-level party committee went down to the work site of members of the Pier Workers Unit 2, carrying a scroll display panel.

The workers sat around in a circle anxious to hear a new story.

After a while the base-level functionary began his story, displaying the scroll panel titled "An Insult to Old Veterans."

He began by saying: "Comrades, this picture is material showing the plight of old veterans and meritorious workers in a country where capitalism revived as a consequence of 'liberalization' and 'reorganization'."

With this introduction, the functionary said that with the collapse of socialism, old veterans and meritorious workers have been reduced to the status of beggars overnight. They indignantly described how old veterans who deserve respect and preferential treatment are meeting a miserable fate of having to die while roaming the streets begging for food, unable to stay in homes for the aged because they have no money. He then cited examples to describe how, at a time when old veterans in former socialist countries were roaming the streets selling their medals and uniforms, in our country a grand national conference of old veterans was held under the solicitude of the great leader [yongdoja] Comrade Kim Chong-il, and how it has become an established social ethos and fine custom for our youth to look after old veterans as if they were their real parents.

This kind of indoctrination work, carried out using contrasting materials, gave the workers the gratifying sense that our people are a happy and proud people who enjoy an independent and creative life to their hearts' content, as the real masters of the state and society under the most superior socialist system.

Some members of this port have had ample opportunity to board foreign ships and contact their sailors. That is why they know the real state and condition of the people in foreign countries better than anybody else.

Under the circumstances in which a new generation having little knowledge of living conditions in capitalist countries accounts for the majority of workers in our enterprises, the base-level party committee has effectively conducted indoctrination work through vivid stories told by those who have had actual experience in life in socialist countries that have turned capitalist.

Among these indoctrination programs, the one carried out among the members of the Pier Workers Unit 1 on the basis of the eye-witness account of Comrade Kim, who works at a branch office of a foreign shipping agency, proved very effective.

He related the following story of what he actually observed while on board a foreign ship.

One day Comrade Kim saw a sailor working on a foreign ship with a sad face. He asked why the sailor was unhappy.

The sailor began to talk with a tearful face.

He said: I am Russian. I had such a hard time that I became a sailor to try to make some money. I have my old parents, a crippled brother, and wife and two children living in my house.

I have been unable to send any money to my family in the four months since I left my home. I have injured my leg while working. The captain has made a big fuss about my injury and has told me to prepare to go home.

The sailor said that when he thinks of his parents anxiously waiting for their son's return, he has no more desire to live. He added that he has belatedly realized that when socialism collapses, one loses his job overnight, and may lose his life, too.

After a while Comrade Kim appealed to the audience to defend socialism—our way of living and our life—to the end, saying that each time he observes the unfortunate plight of people in former socialist countries, he cannot help but seriously think of what would happen to him should we fail to defend socialism.

While listening to his talk, some workers expressed sympathy for people in those countries where capitalism has revived, while other workers raised their fists in a show of hatred for the socialist renegades.

This kind of indoctrination work—using contrasting evidence—has inspired workers to devote their all to the struggle to defend and glorify socialism.

It was due to this kind of effective indoctrination work carried out by the base-level party committee that the party members and workers of this port overfulfill the cargo transit volume plan each year.

Machine Industry Plants Increase Production

SK0208132795 Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 30 Jul 95

[FBIS Translated Text] Plants and enterprises under the Ministry of Machine Industry are vigorously accelerating the production of facilities and parts to send to the various sectors of the national economy.

Upholding the great leader's behest and the party's intent, functionaries and workers at the Taean Heavy Machine Complex are performing new miracles and effecting innovations in the battlefield with a firm determination to fully complete the production of the large generating facility, which would take more than six months to manufacture, in three months.

With the revolutionary spirit of self-reliance and fortitude, workers of the complex, who hold an iron-like faith that "we will do what the party decides," have bravely innovated technology by overcoming difficulties and trials. As a result, they have completed the production of a great many parts and facilities in the shortest period of time.

In addition, workers at the Yongsong Machinery Joint General Bureau have effected upsurges in producing facilities and parts needed for implementing the party's revolutionary economic strategy. Cherishing deep in their hearts the great trust and love of the great leader [yongdoja] Comrade Kim Chong-il, who always and firmly trusts in and cares for our workers, they have effected innovations in producing molds; large ventilations; compressors; and [word indistinct] needed for steel and iron plants, coal mines, and thermal power plants as well as facilities and parts necessary for fertilizer plants.

With the spirit and vigor shown during the days of the war, workers at the Nagwon Machine Complex, including the large machine workshop and youth workshop, have effected upsurges in production by manufacturing large hydraulic excavators of four cubic meters, using their own might and technology. In addition, they have laid a firm foundation for increasing the production of hydraulic excavators.

Pyongyang Citizens Resettle on Socialist Farms

SK0308093595

[FBIS Editorial Report] The following is a compilation of news reports from Pyongyang Korean Central Television Network in Korean on working people resettling in rural areas broadcast from 26 July to 2 August.

At 1100 GMT on 26 July, the television carries a one-minute report about Kim Myong-kun, worker of the Public Health Ministry's Central Pharmaceutical Management Office, moving to a farm with his family. During an interview, Kim said: "It is a mission of our new generation youths to uphold the lifetime will of the fatherly leader, who endeavored to give rice and meat soup to our people."

The television continues to report that Song Sun-ae, worker of Choe Kwang-son's work site, volunteered to relocate at the Yongyang Mine. According to Song's superior primary party cell Yi Pong-un, Song was deeply moved by the movie "Mt. Paekkum" and went to visit the miners in Yongyang during her vacation. After the visit, she decided to uphold Kim Il-song and Kim Chong-il with mineral production. Song vowed to become "an excellent working class agitator like the agitator in the movie 'Mt. Paekkum.'"

At 1100 GMT on 28 July, the television carries a one-minute report on Chon Chun-gol and Chang Chi-won, reporter and editor of the KOREA CENTRAL NEWS AGENCY, volunteering to move to socialist farms with their families. Chon vows to "give happiness and satisfaction to the respected and beloved general with bumper crops."

The television continues to report that Kim Yong-sung and Nam Chol-man, members of the League of Socialist Working Youth of Korea of Pyongyang Power Transmission and Distribution Complex, volunteered to move to Yongdang Cooperative Farm in Mundok County and Up Cooperative Farm in Musan County, respectively. The announcer says that the young men were "filled with the firm resolution to further glorify our country and fatherland with more rice production."

At 1100 GMT on 29 July, the television carries a one-minute report on a university student and bank employee volunteering to resettle in a socialist farm. Chang Yong-kon, medical student of the Pyongyang Medical University, and his fiance Choe Yong-ae, who worked at the Pyongyang Moranbong branch of the Central Bank, moved to the General Farm in Taehongdan County. The couple said that "contributing to the implementation of the party's agriculture-first policy is the most honorable and rewarding life."

The report was followed by another one-minute report stating that Yun Sok-pong, officer of Pang Hae-su's unit of the Public Security Ministry, volunteered to move to Oksong-ri in Pyoksong County with his family. He worked as the party's political defender, and vowed to continue to become "a revolutionary fighter of the Supreme Commander Comrade Kim Chong-il and a loyalist and dutiful son who uphold the party with rice."

At 1100 GMT on 2 August, the television carries a two-minute report on Kwak Ha-kong, who was repatriated from Japan years ago, volunteering to resettle in a socialist farm with his family. Kwak worked at the Guidance Bureau of the No. 105 Shock Brigade of the Pyongyang No. 2 Unit, and recently moved to Myongnae-ri, Songhwa County, South Hwanghae Province. The family thanked Kim Il-song and Kim Chong-il for accepting the family from foreign land and for educating them, and vowed to "achieve bumper crops every year."

The report was followed by a one-minute report on a guiding personnel of Kumgang General Bureau. Pak Myong-su volunteered to move to the Puksong Cooperative Farm in Sajong District with a firm resolution "to devote his everything to till the land honored by the immortal history of the fatherly leader."

South Korea

No Agreement Reached on Cigarette Import Issue

SK0308015995 Seoul THE KOREA HERALD in English 3 Aug 95 p 2

[FBIS Transcribed Text] Korea and the United States failed to narrow their difference at their talks on revising a bilateral agreement on Korea's cigarette imports, which ended in Washington Tuesday.

"The two sides agreed to meet again this month for further discussions," Chang Ki-ho, director-general of the Foreign Ministry's international trade bureau, said yesterday.

He was not confident that the two countries would agree on a revision before a domestic health law tightening regulations on cigarette advertisement and sales promotion takes effect in September.

Before the opening of the two-day talks in Washington, Korean officials said they would emphasize the need for an early revision of the agreement to match provisions of the law.

Korea has requested the revision of the accord signed in 1988 since it first raised the issue at working-level trade talks with U.S. officials last September.

U.S. side was delivered a draft revision to the agreement on access for foreign cigarettes to the Korean market in October last year and a supplemented one last month.

The draft revision calls for reducing the number of advertisements annually allowed in magazines, banning vending machines in areas frequented by teen-agers and stopping foreign cigarette manufacturers from sponsoring cultural and sport events.

But the section of the draft revision facing the strongest objection from U.S. negotiators is a demand to have freer hands in determining tax rates on imported cigarettes.

Under the 1988 agreement, Korea is obliged to impose a 460-won-per-pack income tax on all cigarettes imported.

Korean officials say they are demanding that Korea should be free to impose various tax rates on cigarettes in accordance with their price.

Korea, which faces mounting trade pressure from Washington on autos, financial service, intellectual market and agriculture, regards the accord on cigarette imports as one rare area where it can prod U.S. trade officials to make concessions.

The agreement has been criticized by news media and civic groups here for restricting the Korean government's authority on tax imposition and running against the global trend toward tighter regulations on cigarette advertisement and sales promotion.

Seoul, Washington To Coordinate DPRK Policy

SK0308054995 Seoul YONHAP in English 0515 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug.3 (YONHAP) — South Korea and the United States will hold a high-level policy consultation meeting in Honolulu, Hawaii, Monday to coordinate policies on North Korea, a senior Foreign Ministry official said Thursday.

During the Korea-U.S. high-level policy consultation, the third of its kind, slated for Aug. 7-8, the two sides will examine North Korea's political situation and recent inter-Korean relations before discussing ways to reinforce cooperation between Seoul and Washington in dealing with North Korea in a variety of issues, according to Director-General Yim Song-chun of the Foreign Ministry's American Affairs Bureau.

Yim, however, said that he was not in a position to talk about what kind of proposals the government will present to the North on the occasion of the 50th anniversary of South Korea's liberation from Japanese colonial rule.

South Korea is reportedly proposing a new peace system to replace the current Korean armistice treaty which ended the three-year Korean war.

The bilateral talks, the first high-level talks between South Korea and the United States since President Kim made a state visit to the United States late July, will also evaluate the results of Kim's visit to the United States before addressing ways to come up with measures to materialize agreements made between Kim and U.S. President Bill Clinton during summit talks between themselves, Yim said.

One of the issues will be preparations for the holding of vice foreign minister-level 'strategic dialogue' between the two countries slated for October, Yim said.

The Korea-U.S. high-level policy consultation will, Yim said, focus on long-term strategies to deal with issues related to North Korea rather than dealing with such pending issues as establishment of liaison offices between Pyongyang and Washington and provision of heavy fuel oil to North Korea under last October's Geneva nuclear agreement.

"That's because we are closely contacting Americans through diplomatic channels to solve those pending issues," Yim said. "We do not have to hold such high-level meetings involving inter-governmental agencies of each countries if just for such pending issues."

"The talks will take the form of a free talking style or brainstorming on mid- and long-term strategies on North Korea rather than negotiations," he said.

Deputy Foreign Minister Yi Chae-chun will represent South Korea at the Honolulu meeting and officials of Ministries of Foreign Affairs, Defense and Unification, and the presidential office of Chongwadae will attend the meeting.

U.S. Assistant Secretary of State for East Asia and the Pacific Winston Lord will be Yi's counterpart. Among other participants from the United States are Stanley Roth, special assistant for the president for Asia-Pacific affairs at the National Security Council (NSC), and David Brown, director of the Office for Korea at the U.S. State Department.

The first Korea-U.S. high-level policy consultation was held in Seoul last February when U.S. Assistant Secretary of State for East Asia and the Pacific Winston Lord led a delegation to Seoul.

In March, Deputy Foreign Minister for Political Affairs Yi Chae-chun flew to Washington for a second such meeting.

Seoul To Propose Quadrilateral Peace Talks

SK0308070095 Seoul KYONGHYANG SINMUN in Korean 3 Aug 95 p 1

[By Yi Pyong-kwang]

[FBIS Translated Text] On 15 August the government will reportedly propose a four-way meeting to North Korea to discuss normalizing inter-Korean relations and establishing real peace on the Korean peninsula. This is timed to coincide with the 40th anniversary of the national liberation.

According to the government's plan for a four-way meeting, the ROK, North Korea, the United States, and China—the parties directly involved in the Korean

War—should meet to discuss the issue of replacing the armistice system with a peace system.

This proposal is a large departure from the government's former stance that dialogue should be pursued according to a "two-plus-two formula," of direct dialogue between the North and South with the United States and China confirming the results of the inter-Korean talks.

A high-ranking government official said on 2 August, "While the same countries are to participate in the talks, the big difference lies in whether the four countries participate simultaneously in dialogue." He predicted that "since North Korea does not want to negotiate directly with our government, a 'four-way meeting' is more likely to be realized than a 'two-plus-two formula'."

Adding that "ways to establish peace on the Korean peninsula must top the agenda for the four-way meeting," the official emphasized, "Such issues as the withdrawal of U.S. Forces in the ROK and the abolition of the ROK-U.S. Defense Treaty, however, are not suitable topics for this meeting."

Even though the government's overture on "the four-way meeting" will not go beyond the boundary of the principle of having the parties directly concerned solve the Korean problem, it can be seen as a big change, as the ROK backed away from its former stance that the North and South should first discuss the issue on replacing the armistice system with a "peace system."

Reacting to this, a diplomatic source said: "Since North Korea and the United States promised to improve bilateral relations, now is the appropriate time to propose the four-way meeting." He then evaluated, "if North Korea accepts the overture, it will provide momentum for bringing peace back on the Korean peninsula 42 years after the armistice agreement was signed."

North To Get Preview

SK0308035395 Seoul KBS-1 Radio Network in Korean 0300 GMT 3 Aug 95

[FBIS Translated Text] The ROK Government reportedly will convey to North Korea in advance a gist of the proposal to be made by President Kim Yong-sam on the occasion of the 50th anniversary of liberation at the third round of talks between the authorities of the North and South in Beijing on 10 August, and solicit North Korea's opinion. A government official said today that the government's internal policy is to provide North Korea with a full understanding of President Kim's 15 August proposal ahead of the third round of North-South talks, as the proposal will serve as a significant opportunity for the development of future North-South relations.

The ROK Government will convene a meeting of relevant ministers early next week presided over by the deputy prime minister for unification, Na Ung-pae, to finalize the ROK Government's position in preparation for the third round of Beijing talks.

Seoul To Gauge North's Reaction

SK0308100095 Seoul YONHAP in English 0931 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — The government plans to use a forthcoming inter-Korean officials meeting slated for next week in Beijing as an opportunity to sound out North Korea's reaction to President Kim Yong-sam's Aug. 15 proposal before it is formally made, a government official said Thursday.

Unification-related ministers including Minister of National Unification Na Ung-pae will have a meeting early next week to discuss the issue and decide on the government's position towards the Beijing talks slated to open on Aug. 10.

The official said, "The government tentatively decided to inform North Korea of the content and general purport of President Kim's proposal to the North before his formal announcement on Aug. 15, the 50th anniversary since the national liberation, to tap Pyongyang's reaction to the proposal."

He said that the government plans to make Pyongyang fully understand the import of the proposal and use the talks as an opportunity to confirm the will of the North Korean leadership for improvement of the inter-Korean relations.

However, the government will decide its position on the pending issues of the inter-Korean economic cooperation and additional rice aid to the North, after watching what measures North Korea takes about South Korea's demand for an early return of "Usong-ho" crew and of clergyman An Sung-un, who was allegedly kidnapped recently in China to the North.

Rumors Circulate About 'Secret Envoy' to North

SK0308021995 Seoul CHOSON ILBO in Korean 3 Aug 95 p 2

[Article by Chu Yong-chung]

[FBIS Translated Text] Rumors that a secret envoy visited North Korea are sounding more convincing to the ROK political and government sector. Based on the theory that "only a secret envoy can explain the current situation," a few names are even being pointed out. Furthermore, there is another rumor that a secret North Korean envoy is in Seoul.

On a number of official occasions, President Kim Yong-sam has said: "There will be a significant change in North-South relations in a few months." The only upcoming event in North-South relations is the third round of rice talks scheduled for 10 August. Even though North Korea said it would return the abducted crew of the Usong at the second round of rice talks, not a step has been taken, and pastor An Sung-un was kidnapped later. There is no sign of improvement in official North-South relations. President Kim's optimism makes people speculate that "there must be something."

The first round of rice talks held in June was reportedly a "masterpiece" that was secretly devised by the office of the senior economic secretary at Chongwadae [presidential offices] and the Agency for National Security Planning without the knowledge of the National Unification Board. This adds fuel to the rumor surrounding possible mediation by a fourth secret envoy, succeeding Yi Hu-rak for the Pak Chong-hui regime, Chang Se-tong for the Chon Tu-hwan regime, and Pak Chol-on for the No Tae-u regime.

A rumor from the government sector is that legislator Choe Hyong-u visited North Korea and promised rice aid to Kim Chong-il. Legislator Choe strongly denied this as "groundless," stating: "I have never left the country since my visit to the United States in March." Another rumor is that legislator Yi Se-ki, who is known to be an expert on PRC affairs, visited Beijing from 23 to 28 July on a secret mission. Legislator Yi's aides explained that he met with the PRC vice foreign minister and the deputy head of the CPC International Liaison Department only to "collect information" on North Korea. There is no proof that there is a secret envoy, who he is, or what his role is. A government official stated: "I receive many telephone calls inquiring about a secret envoy, but nothing is known about an envoy."

North Reportedly To Change Unification Formula

SK0308081795 Seoul YONHAP in English
0745 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — North Korea will change its unification formula around Aug. 15 when Korea commemorates the 50th anniversary of its liberation from Japanese colonial rule, Kim Tae-chung, permanent advisor to the National Congress for New Politics, said Thursday.

Kim said South and North Korea will "move toward the path to unification step by step after Aug. 15," party spokesman Pak Chi-won said.

Kim made the remarks in a closed-door session of the Congress' caucus held at the National Assemblymen's Hall, warning "The incumbent government of South Korea may try to gloss over its failures in domestic government with North Korean affairs."

"We will restrain the government if it makes a concession in its North Korea policy for political gains which are not conducive to the people," Kim said.

He continued the United States' and Japan's relations with North Korea should go abreast of the improvement of inter-Korean ties.

Seoul Asks Beijing To Halt Illegal Fishing

SK0308084695 Seoul YONHAP in English
0806 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — The South Korean Foreign Ministry on Thursday called in Chinese Ambassador here Zhang Ting-yan to demand that the Chinese Government take measures to prevent Chinese fishing boats from fishing illegally in South Korean waters off the western coast, Foreign Ministry Spokesman So Tae-won said.

Director-general Yun Chi-chun of the International Economic Affairs Bureau presented a list of 209 Chinese fishing boats caught fishing illegally in the South Korean waters between May and July, So said.

So said that a total of 2,032 Chinese boats operated illegally in the South Korean waters during the first six months this year. The comparable figure was 2,033 during the whole 1994 and 40 for 1990.

The Foreign Ministry will make its utmost to conclude a fishing agreement with China as soon as possible to check the ever increasing illegal fishing by Chinese boats in the Korean waters, So said.

'Northeast Asia Security Dialogue' Proposed

SK0308021895 Seoul YONHAP in English
0141 GMT 3 Aug 95

[FBIS Transcribed Text] Bangkok, Aug. 2 (YONHAP) — South Korea's Foreign Minister Kong No-myong Wednesday proposed establishment of a regional security dialogue in Northeast Asia, stressing the need for stable security environment in a precondition to achieve economic prosperity.

Speaking at a plenary meeting of the ASEAN (Association of Southeast Asian Nations) Post-Ministerial Conference (PMC) in Brunei, attended by foreign ministers from seven ASEAN member countries and as many dialogue partners, Kong asked for support from the participants for the establishment of the Northeast Asia Security Dialogue (NEASED).

Kong also urged participants of the PMC to give support on the international cooperative system which will lead to an eventual solution to the North Korean nuclear problem, stressing that inter-Korean dialogue is essential to a full implementation of the nuclear agreement signed between North Korea and the United States in Kuala Lumpur, Malaysia, last June.

He said that the North Korean nuclear issue emerged as a case to test the success of the Nuclear Nonproliferation Treaty (NPT).

The South Korean foreign minister also met with his counterparts from the Philippines, Australia, Spain and the European Union (EU) on separate occasions to seek support for the smooth solution to the North Korean nuclear issue and discuss ways to enhance bilateral relations.

Seven ASEAN members meanwhile will come up with a draft on denuclearization of Southeast Asia for signing at a summit meeting of ASEAN member states in Bangkok, on Dec. 14-15, according to ASEAN officials.

A chairman's statement issued by the ASEAN Regional Forum (ARF) Tuesday urged halt to nuclear tests mulled by some countries without mentioning countries by name.

The participants of the PMC evaluated the G-7 [Group of Seven] summit in Halifax, Canada, while discussing the international trend in trade, North Korean nuclear issue, nuclear nonproliferation, internal strifes in Bosnia, peace moves in Middle East, political situations in Myanmar and other issues, according to ASEAN officials.

ASEAN has seven member countries including Thailand, Malaysia, the Philippines, Singapore, Brunei, Indonesia and Vietnam, and its dialogue partners and observers are South Korea, the United States, Canada, China, Russia, Laos, Australia, New Zealand, Papua New Guinea, the European Union and Cambodia.

44.5 Billion Won Held in False-Name Accounts

SK0308104195 Seoul YONHAP in English
0911 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — Funds remaining in deposit accounts whose holders are yet to be identified totaled 10.5 trillion won (about 14 billion U.S. dollars) as of the end of March, according to the Finance and Economy Ministry.

A total of 44.5 billion won was kept in false-name accounts, it was also said.

So, if Government Administration Minister So Sok-chae's reported remarks that one of the former presidents holds 400 billion won in accounts opened not in his real name are true, he holds most of the funds in accounts opened in borrowed or stolen names.

When the real-name financial transaction system was put into effect in August 1993, a total of 175 million accounts containing 405.4 trillion won were supposed to have their holders identified under law.

As of the end of March, holders of 143 million (81.7 percent) of all those accounts, or 391.4 trillion won in amount (96.5 percent), had been identified. During the period, some 2.8 million borrowed-name accounts, holding 3,500.9 billion won, had been shifted to real-name accounts, which means that some 29 million accounts, holding 10.5 trillion won, were yet to have their owners identified.

A ministry official said the funds whose real owners are not yet identified are mostly in long-term deposit accounts and insurance contracts, adding the owners of these funds are expected to show up when they receive the money at the maturity of the long-term deposit plans and insurance contracts.

In case those who hold funds in borrowed- or stolen-name accounts shift the funds to their real-name accounts by the Aug. 12 deadline, they are subjected to pay a fine amounting to 20 percent of the funds plus 96.5 percent of interest received in income and residence taxes. After this deadline, the fine will increase to 30 percent.

Ex-President Allegedly Holds 'Secret Fund'

SK0308023495 Seoul YONHAP in English
0131 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — A controversy is mounting over a cabinet minister's allegation that either Chon Tu-hwan or No Tae-u, both former presidents, has been in possession of a huge secret fund amounting to 400 billion won (528 million U.S. dollars).

The allegation, uttered first by a "core member" of the incumbent ruling camp Tuesday, is creating a stir in the political situation as it is certain to add fuel to an in-house controversy of the ruling party over whether or how to "supplement" the Kim Yong-sam government's financial reforms.

Minister So Sok-chae of Government Administration told a group of reporters Tuesday that one of the ex-presidents had sounded out the possibility through his lawyer if the government could give him some "consideration" for his bid to convert bank accounts he now holds under false or borrowed names into real-name.

So, who is a confidant to President Kim Yong-sam, disclosed that one of the former presidents suggested to a key member of the ruling Democratic Liberal Party (DLP) that he was willing to contribute half the 400 billion won now kept under unreal names if the government would not investigate into the financial source of the secret money.

Minister So backed down a step two days later, saying "I did not have a firm belief in saying that."

Minister So had gone so far as revealing that he once asked the relevant government officials if there were any exceptions to the rule of investigating the sources of money kept under unreal-name accounts. So said he was told by an official it was impossible to skirt the rule.

But the former presidents denied Minister So's controversial remarks, saying, "It (the secret fund) has nothing to do with us."

A close aide to Chon said, "It is unimaginable. Is it possible to hold the secret money for Chon whose fund was known to have been chased since his retirement."

A protege of No made similar reactions to the allegation, saying, "We have nothing to do with it whatever Minister So has remarked."

No was astounded by a related press report Thursday morning and instructed one of his aides to look into the circumstances of the allegation, he said.

DLP Discusses Allegation

SK0308104095 Seoul YONHAP in English 0949 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — A ruling Democratic Liberal Party [DLP] key postholders meeting discussed Thursday with concern the possible repercussions of the alleged possession of a huge sum of secret funds by a former president.

Conveying an atmosphere of the meeting, presided over by party Secretary General Kim Yun-hwan in place of Chairman Yi Chun-ku, who is on leave, DLP spokesman Pak Pom-chin said that most members expressed worries about the controversy over the secret fund. One participant said that if the issue is handled incorrectly, it might give rise to political implications which would badly affect the ruling camp.

Government Administration Minister So Sok-chae, the very source of the allegation, in an attempt to prevent the controversy from deteriorating asked the spokesman during the meeting by phone, "Please explain to the press corps (covering the ruling party) the backgrounds well so that no misunderstanding may develop from my utterances."

Reactions to the controversy were quite different between the Minju [Democratic] faction, loyal to President Kim Yong-sam, and the Minjong [Democratic Justice] faction, comprising of followers of the former military regimes.

The Minjong faction did not hide their displeasures at the fact that a core member of the Minju faction made the allegation at a sensitive juncture of time in the wake of the DLP's devastating setback in the June local elections, while the Minju faction did not attach much significance to the allegation.

Rep. Kim Yong-kwang, a member of the Minjong faction, remarked, "The government should immediately initiate an investigation into the allegation, and Minister So also should cooperate with the probe. Should So decline to do so, the citizens may take it for an attempt to damage the former regimes secretly."

DP Urges Probe of Allegation

SK0308082895 Seoul YONHAP in English 0523 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — The embryonic National Congress for New Politics and the Democratic Party [DP] demanded Thursday that the government thoroughly investigate the alleged possession by either former President Chon Tu-hwan or No Tae-u of 400 billion won in bank accounts under false or borrowed names.

No such bank accounts are permitted under the real-name financial transaction system instituted in August, 1993, by the incumbent administration.

Congress spokesman Pak Chi-won said, "The citizens have a right to know how a former president could have accumulated such an astronomical sum of money. The truth must be proved thoroughly and made public with no trace of suspicion left."

Arguing that the allegation betrays the incumbent administration's immorality and inequality in the enforcement of law, Pak asserted, "We cannot but be indignant at how such an administration is capable of enforcing the law so cruelly to the citizens."

DP President Yi Ki-taek denounced, "Should the allegation be true, it cannot avoid inviting public indignation," adding, "The government should immediately initiate an investigation into it and dispel the public suspicions. The National Assembly also should investigate into the matter."

Yi instructed his party members of the parliamentary Finance Committee to look into the matter and plans to work out measures to cope with it at a meeting of DP president and vice presidents slated for Friday.

Statute of Limitations for Kwangju Case Extended

SK0308024495 Seoul YONHAP in English 0209 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — The limitation for publicly accusing the 58 people involved in the armed suppression of the Kwangju democratization movement in May 1980 will be extended to around Sept. 5 from Aug. 15 as Chong Tong-nyon and other sufferers of the incident appealed Wednesday for the Defense Ministry's review of the military prosecution's decision not to indict the 11 active-duty Army officers of the 58 on charges of attempted insurrection.

Among the 11 Army officers is Joint Chiefs of Staff Chairman Gen. Kim Tong-chin.

Under the military criminal code, an appeal against a lower tribunal's decision makes the statute of limitations in the particular case suspended until a higher tribunal rules on it.

A higher tribunal is required to make a decision on an appeal against a lower court-martial's ruling within 20 days, meaning the statute of limitations related to that ruling is extended by 20 days at the maximum.

With the statute suspended for 20 days for the 11 Army officers, that limitation of public complaints against the remaining 47 civilians is also suspended for 20 days.

And this enables the Constitutional Court to make full examinations of the appeal when it receives it.

The prosecutor-general's office is expected to turn down the appeal filed earlier by the complainants, mostly alleged sufferers of the Kwangju incident, Friday, prompting them to bring the case to the Constitutional Court next week.

Foreign Ministry Publishes 1994 'White Book'

SK0308082995 Seoul YONHAP in English 0748 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — The Foreign Ministry Thursday published the 1994 edition of diplomacy White Book to promote understanding of the country's relations with foreign countries in the rapidly changing international political and economic situations.

The White Book, consisting of eight chapters on summit diplomacy, overseas compatriots, issuance of passports, diplomacy on unification, trade, culture and diplomacy in Asia-Pacific region and the United Nations, is aimed to provide help to those working in the area of international relations.

The ministry has published 1,500 volumes of the book for distribution to government agencies, foreign diplomatic missions here, press organizations, higher education institutes and research institutes.

The ministry has been publishing the White Books every year since 1991.

Police Gain Access to INTERPOL Records

SK0308031795 Seoul YONHAP in English 0237 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — The South Korean Police will introduce "Automatic Search Facility (ASF)" from the International Criminal Police Commission (INTERPOL) early next year in order to get access to computerized records on major wanted criminals in the world, the national police administration said Thursday.

With the help of the ASF system, the police will be able to receive data from the INTERPOL's main computer as well as send its own information to it.

An officer at the police said the country's need for closer cooperation with the INTERPOL has increased a lot because the number of foreigners visiting here has soared and the entry formalities of foreigners are being simplified.

The police has asked the Ministry of Finance and Economy to allocate 309 million won (about 408,190 U.S. dollars) in budgetary expenditure for the introduction of the system. The system needs a work-station level computer and the software for the communication.

The data base in the secretary-general bureau of the INTERPOL (IPSG) based in Paris provides picture, fingerprint and records of major criminals and terrorists.

'Bankruptcy Prevention Centers' Established

SK0308011095 Seoul THE KOREA TIMES in English 3 Aug 95 p 8

[Report by No Chun-hon]

[FBIS Transcribed Text] More and more small companies are going bankrupt, partly because big business is muscling into their territory, and so the government is introducing bankruptcy prevention centers to help them tide over difficult times.

A recent move by the government to punish large companies which engage in business lines reserved exclusively for small firms is having little effect, due to the vague nature of the regulations and the limited punishment that can be given them, among other reasons.

Trade, Industry and Energy Minister Pak Chae-yun said yesterday that the bankruptcy prevention centers will be primarily responsible for corporate health diagnoses and measures to prevent firms going under.

He told reporters that while the centers will also arrange emergency funds to prevent bankruptcies, the main task of the centers will be to assist small firms in efforts to become more financially stable or move into other business lines.

"It is more of an effort to help small firms find answers to their corporate problems than it is to provide them with funds to tide over financially difficult times," the minister said.

The MOTIE [Ministry of Trade, Industry, and Energy] plan came after repeated calls by small companies for help and President Kim Yong-sam expressing the need for provision of a boost to contribute to making small-medium industry more competitive as a whole.

MOTIE Deputy Minister Chong Hae-chu explained that the centers will generally operate in such a way that small companies smelling trouble can seek guidance well ahead of reaching the point of no return.

"When the centers get going before the end of this month, small firms will have the option of seeking help from accountants, lawyers and other experts to find appropriate remedies," Chong said.

The centers, to be set up through the Small and Medium Industry Promotion Corporation, will operate in a total of 13 locations. Non-standing committees will be called in whenever necessary to offer advice.

"The centers will be in charge of identifying the exact problems at the small firms and determining the amount of funds or other necessary support to save companies from imminent bankruptcy," he noted.

Chong said the final package of plans to support small industry will be revealed next Wednesday in a meeting presided over by President Kim and attended by senior government officials and the top management of the nation's 30 largest business conglomerates.

According to MOTIE statistics, the number of small companies going under has been increasing in recent years and a large portion of them are in the service and construction industries rather than manufacturing.

MOTIE officials said an average of 1,093 companies went bankrupt a month in the first half of the year, considerably more than the 792 in 1993 and 938 last year. In May, the figure was a high 1,197.

One of the main causes of the unhappy endings for small companies is the increasing moves by large companies into business activities conventionally reserved for small businesses.

A recent report showed that such large firms as Samsung Electronics, Tongyang Magic and LG Electronics are moving into such small business sectors as water purifiers, crowding smaller firms out.

Small companies say even in fields which are not exclusively reserved for them the entry of big business can only spell doom since they virtually monopolize the market.

"In many cases, large companies wait around to see if certain products marketed by small enterprises are popular or not. When they find some that are, they march in and take over the market," one company official complained.

Foreign Currency Loans Increasing

SK0308014295 Seoul THE KOREA TIMES in English 3 Aug 95 p 9

[FBIS Transcribed Text] Foreign currency loans extended to enterprises have been increasing markedly in accordance with the over-all economic upswing.

According to the Bank of Korea yesterday, foreign currency loans during the first six months of this year amounted to 5.67 billion dollars, up 84.1 percent over the year before.

Most of the foreign currency loans were used to finance imports of facilities with loans for corporate investment in semiconductors, petrochemicals and steel showing particularly sharp increases. Banks' outstanding foreign currency loans as of the end of June totaled about 26.8 billion dollars, an increase of 3.56 billion dollars over the end of 1994.

Large companies took 71.7 percent of the loans or 4.02 billion dollars worth during the six-month period while small and medium-sized firms took 28.3 percent or 1.59 billion dollars worth, down from the 29.4 percent in 1993 and 33.1 percent seen in 1994.

The central bank has earmarked 400 million dollars this year for small and medium-sized company factory automation but the actual volume of foreign currency loans going for that purpose stood at 70 million dollars.

Financing of Overseas Investments Discussed

SK0308025395 Seoul THE KOREA HERALD in English 3 Aug 95 pp 8, 12

[By staff reporter Choe Song-chin]

[FBIS Transcribed Text] Japan's Fujitsu Co. has recently unveiled a plan to build the world's largest memory chip plant in Oregon. Reports also had it that other Japanese electronic giants, such as Toshiba and Hitachi, are also looking for factory sites in the United States for similar purposes.

Anxious about the planned mega project are the two main Korean players in the global semiconductor industry—Samsung Electronics Co. and Hyundai Electronics Ind. Co.

Samsung wants to construct a 64-mega DRAM plant in Austin, Texas, at a total cost of $1.5 billion, and Hyundai is eyeing a similar plant costing about $1.3 billion in Eugene, Oregon. But only if the Seoul government gives their final go-ahead.

And that is increasingly proving to be a very big if.

"Good investment timing is the single most important factor in the memory chip industry," said a local industry watcher. "Unless Korean firms provide worthy models of memory chip at the right moment in the U.S. market, they will be crowded out of the world's largest market by their Japanese competitors."

Direct investments in the United States will also prove to be pivotal in heading off possible trade frictions by raising local content ratios of Korean products, industry analysts said.

The biggest issue between these firms and the government's economists is over how to raise the fund for financing these mega projects.

While the private investors want to finance the entire projects through borrowing overseas, the government calls for them to meet between 20 and 40 percent of funding need with their own equity capital.

The company officials say that now that the government has lifted all restrictions on overseas financing, all they need is the approval of the Bank of Korea for such investments made largely through their overseas offshoots. "If we borrow in the United States, the American banks charge interest of only 7 percent a year, then why do we need to mobilize domestic funds which cost at least double the rate?" one official demanded.

Officials at the Finance and Economy Ministry, noting that the overseas financing at the payment guarantees of headquarters offices will eventually fall on the domestic banks, adding to the nation's external liabilities, if something goes awry.

"It is rather unethical for these giant conglomerates to meet their entire new investment fund need with external borrowing while the cash from their free-wheeling units is diverted to their weaker units to expand and strengthen their corporate web," said a ministry official.

Other officials cite the possible hallowing out of domestic industry caused by the massive plant relocation of high-technology industries.

This, the business officials refute, saying, these investments, even if realized, will account for only 10 percent of the total semiconductor production.

Another issue raised by the government officials concerning these the large-scale investment, particularly those made through merger and acquisition [M&A] formula, is the possibility for buying out troublesome foreign companies at huge costs.

Already, there have been reports about the heavy losses recorded by American companies bought out by Korean buyers, such as AST Research's $30 million operational loss in the fourth quarter. Samsung Electronics acquired the company after Japan's NEC turned down its acquisition bid, according to a recent report of the ASIAN WALL STREET JOURNAL.

"The Korean companies, in their rush to obtain up-to-date technology, are competing to buy up foreign firms that are technologically superior but financially troubled," said a government official. "In the worst scenario, these buyers may just end up paying too much for the trouble-free technology."

Another official said, "We see more problems in M&A based on insufficient surveys or misinformation than other forms of direct investments, not only because of the huge cash outflow involved, but because investments are made hastily without adequate deliberation and step-by-step negotiation."

Business officials, albeit not totally denying the grounds for such concerns, said that it would be the companies themselves, and not the government, that take the final risks and responsibility for their investment decisions.

An industry observer said that the government is still used to old and misconceived habit of taking care of private sector while in fact the latter is much ahead in both information and other business acumen.

"The government still adheres to the notion that heavy and chemical industries should be kept at home, but the firms already know what matters because they are not so traditional-minded, however sophisticated they may be, but are what futurists call third-wave industries, such as information and service-oriented industries," he said, requesting anonymity.

Economics are not the sole concern behind the government-business dispute over in-roads made by heavy industry overseas.

While President Kim Yong-sam himself advocates "globalization," some of his economic lieutenants seem to place priority on the control of large conglomerates, or chaebol, for both economic and political reasons, the analyst said.

In the aftermath of the disastrous local elections showing, the administration appears to need to keep the financial powerhouses within their reach more than ever before, he said.

Chaebol, for their part, should show their overseas investments are not for the sake of corporate expansion but are based on sound economic reasoning, turning the operation of foreign firms into profitable investments, they said.

Tanker's Captain Says Mishap 'Unavoidable'

SK3107034795 Seoul YONHAP in English 0144 GMT 31 Jul 95

[FBIS Transcribed Text] Yosu, South Cholla Province, July 31 (YONHAP) — The captain of an oil tanker that ran aground during typhoon Faye last week, spilling oil and contaminating waters off the country's southern coast, told police investigators Monday that the accident was unavoidable.

Im Chong-min, 41, the captain of the 140,000-ton tanker, Sea Prince, ran aground while attempting to avoid the B-class typhoon.

The maritime police here summoned in Sunday evening and questioned the captain overnight about the accident and queried as to whether he made avoidable mistakes when steering the ship through rough waters.

The police will continue questioning him Monday before making a decision, under the prosecution's direction, about whether or not he should be charged with polluting the sea, ship damage and other violations.

The police will also summon other crew members of the tanker, officials of the maritime and port administration and Hoyu Shipping Co., the company which owns the tanker, for questioning.

Southern Provinces Facing Prolonged Drought

SK0308010995 Seoul THE KOREA TIMES in English 3 Aug 95 p 3

[FBIS Transcribed Text] Southern provinces, the bread basket of Korea, are facing an aggravated drought with water levels of reservoirs in the areas dipping fast, although this year's rainy season is virtually over.

If the drought continues, North Cholla, North Kyongsang, and Chungchong provinces are expected to experience portable water shortages as well as reduced harvests of rice.

According to the Korea Meteorological Administration yesterday, water levels of reservoirs on the dams along Somjin River dropped to 7.3 percent far below normal levels, lowest in the country as of Tuesday.

The usual level this time of the year reaches 39 percent.

As a result, residents in adjacent agricultural areas like Kochang and Puan are searching for new sources of water.

In North Cholla Province, rainfall between 30 to 70 milimeters were recorded Tuesday but didn't dent the low water level.

In North Kyongsang Province, home to many industrial production lines, the protracted drought is making its impact felt, drying up industrial-purpose water.

Korea's largest steelmaker Posco [Pohang Iron and Steel Corporation] and its host city Pohang are staging a water conservation drive as water in Yongchon Dam hit 19.9 percent, one third of the usual level.

The Environment Ministry reported yesterday that many multi-purpose dams showed far lower levels of water in reservation, expecting major damage to agriculture. The dams were gauged to reserve about half of what they usually held at this time.

The ministry instructed those provinces to chart out emergency measures to cope with the water shortages that are all but certain to take place if the drought continues.

A-37's To Make Formation Flight Over Seoul

SK0308081895 Seoul YONHAP in English 0754 GMT 3 Aug 95

[FBIS Transcribed Text] Seoul, Aug. 3 (YONHAP) — Five A-37 fighters, nicknamed Dragon Fliers, of the Air Force will make a formation flight over downtown Seoul for 10 minutes from 10:50 AM on Aug. 15 in celebration of the 50th anniversary of national liberation from Japanese rule, the Air Force announced Thursday.

The flight will be the first of its kind since September 1948 when the then Army aviation corps made a formation flight of the 10 L-4 liaison planes received from the U.S. Air Force over Kanghwamun intersection.

On the Liberation Day, the five Dragon Fliers will take off from Wonju Air Force base and make a circular formation flight over the Olympic Park in Chamsil before flying through the skies over the East Gate, Chongno, Kwanghwamun, the South Gate and the Panpo Bridge for about 10 minutes, leaving green, yellow and violet smoke screens behind.

During the opening ceremony of the Seoul Olympics in 1988, one Dragon Flier drew an Olympic symbol with its color smoke screens over the Olympic Stadium where the ceremony was held.

Measuring 9-meter-long and 11-meter-wide, the two-seater plane can fly at a maximum speed of 750 kilometers per hour.

The Liberation Day celebration flight formation will be led by Brig. Gen. Kang Hui-kan, a grandson of the independence fighter Kang Pil who will be honored for his outstanding achievements in the independence movement during the days of Japanese rule in the 50th anniversary ceremony of the Liberation Day, the announcement said.

On Friday morning, an A-37 fighter will make a trial flight over downtown Seoul for 10 minutes, starting from 10:50, to measure the flight distance and time, it added.

Burma

Ohn Gyaw Returns From ASEAN Meeting

BK0208142095 Rangoon Radio Myanmar in Burmese 0430 GMT 2 Aug 95

[FBIS Translated Text] A delegation led by Foreign Minister U Ohn Gyaw arrived back in Yangon [Rangoon] by air yesterday afternoon after attending the 28th ASEAN Ministerial Meeting held in Bandar Seri Begawan, Brunei Darussalem, as guests of the host country, Brunei.

The delegation was welcomed at Yangon International Airport by U Soe Tha, minister of communications, post, and telegraphs; Information Minister Major General Aye Kyaw; Deputy Foreign Minister U Nyunt Swe; responsible personnel from the foreign ministry; Indonesian Ambassador Mr. Mohamed Sanusi; Singaporean Ambassador Mr. Calvin Eu Mun Hoo; Thai Ambassador Mr. Poksak Nin-ubon, and Philippine Ambassador Mrs. Sonia C. Brady.

Foreign Minister U Ohn Gyaw met with H.R.H. Prince Mohamed Bolkiah, foreign minister of Brunei and chairman of the 28th ASEAN Ministerial Meeting at the latter's office on 27 July and submitted the instruments of accession to ASEAN's Treaty of Amity and Cooperation. The ASEAN meeting chairman welcomed Myanmar's [Burma's] accession and noted the promotion of relations between Myanmar and ASEAN.

Foreign Minister U Ohn Gyaw and the Myanmar delegation attended the opening ceremony of the 28th ASEAN Ministerial Meeting on 29 July and the closing ceremony on 30 July held at the International Convention Center in Bandar Seri Begawan, the capital of Brunei. Foreign Minister U Ohn Gyaw also met and exchanged frank and cordial views on bilateral ties with ASEAN foreign ministers and the foreign ministers of the allies of ASEAN and dialogue partners.

Furthermore, U Ohn Gyaw paid a courtesy call on the communications minister of Brunei, and also met and held talks with Dr. Ne Tun, assistant UN secretary general.

Thai Daily Continues Suu Kyi Interview

BK0208110895 Bangkok THE NATION in English 2 Aug 95 p A5

[Second part of "edited text" of interview with Aung San Suu Kyi by editor-in-chief Suthichai Yun and editor Thepchai Yong at her residence in Rangoon "last weekend"]

[FBIS Transcribed Text] **[THE NATION] Did the six years of house arrest change you or your attitude to the pursuit of democracy?**

[Suu Kyi] It's not just me. I was very happy to find that so many of my colleagues have come out without any ill will and they really had a tough time. I was under house arrest while they were in jail. All right, this is not the most beautiful house in the world but is a lot more comfortable than Insein jail or any other jail in the country. Conditions at some of the prisons are very uncomfortable. But they have come out without any ill feelings. To me it does not seem at all a surprise that I have no ill feelings. Why should I when they don't? We are all very much of the same mind.

[THE NATION] Do the authorities appreciate your absence of ill feelings toward them?

[Suu Kyi] I hope they do. They also should learn not to harbour ill feelings.

[THE NATION] What kind of political role do you think the military would want to see you play?

[Suu Kyi] They might not all have the same opinion. It's possible that some military leaders think I should play a certain kind of role, while others think I should play another kind of role. I cannot speak for them at all. They did try to stop me from continuing my political role and offered me the freedom to leave the country. But I never accepted that. I made it quite clear in my statement in January that I intend to go on playing an active role.

[THE NATION] Are you suggesting that there may be a split within the military leadership?

[Suu Kyi] No. No. I don't think so. There may be differences of opinion as to what they want to see me do. I think on the whole they all agreed that it would be better for them if I left politics. But since I have not done so they may now have a new idea as to what they wish to me do. But I have made it very clear that I intend to go on playing an active political role.

[THE NATION] Are there absolutely no conditions for your release?

[Suu Kyi] No conditions. I would not have accepted any conditions anyway. And I think they knew that.

[THE NATION] Do you fear that if you leave the country you would not be allowed back again?

[Suu Kyi] Yes. That's why I am not coming to Thammasat University in a hurry.

[THE NATION] Did the military say anything about your leaving the country?

[Suu Kyi] No. No. No. We don't talk about that. It's for me to decide when I leave. And I think they know that I am not going to leave.

[THE NATION] Does that mean you will stay here to try to find a mode of negotiations that will bring about a solution? Do you have a time-frame in mind?

[Suu Kyi] Not at the moment. But there may come a time when we would like to see more progress by such a such a period. But I hope it will not come to that.

[THE NATION] So you have been talking to NLD [National League for Democracy] leaders and supporters?

[Suu Kyi] Almost everyday. Yes, we are in constant contact.

[THE NATION] Do you feel encouraged by their attitude?

[Suu Kyi] Yes. Yes. You must have heard the general view that the NLD in the last six years was a completely spent force and no longer viable as a political party. I do not think this is true at all. Of course, it has been dampened considerably by all the restrictions imposed on it during the last six years. But we still have the support of the people.

[THE NATION] Is NLD enjoying the same level of support it did before?

[Suu Kyi] Not the same level of overt support. A lot of our members were expelled. I was expelled, too. Some left out of fear. So overtly, perhaps there is not as much support for the NLD as before the election. But we as the democratic movement, not necessarily the NLD as a party, seems to have a stronger support among the people these days than before 1990.

[THE NATION] Do you think the military should have a role in whatever future solution that you may come up with?

[Suu Kyi] The military, of course, has a role to play in the country because, after all, we need an army.

[THE NATION] What about political role?

[Suu Kyi] It's up to the people to decide. It's the people of Burma who must decide what role they wish to assign to which force within the country.

[THE NATION] Personally, what do you think the role of the military should be?

[Suu Kyi] I have always said that I wish the military to be an honourable professional army because that is the best way they can protect their interests as well as the interests of the country. But what is important is how the people see their role. In the end, whatever role is assigned to whatever body it will survive in the long run only if the people approve of it.

[THE NATION] You have criticized the National Convention drafting the new constitution. Do you think the constitution is so far on the right track?

[Suu Kyi] The draft constitution is certainly not heading on the track to democracy. So I think they should be open to negotiations.

[THE NATION] What basic principles do you want to see in the constitution?

[Suu Kyi] The basic principle of any genuine democratic government is that the people should be able to decide whom they want to be at the helm of the nation and when they can remove these people. Every truly democratic government must have the mandate of the people and proper institutions to ensure that this mandate is given in the right way.

[THE NATION] If invited, would you and NLD be willing to be part of the National Convention?

[Suu Kyi] It all depends very much on how the government will incorporate us or other people and where the National Convention is heading. The National Convention is only a title. There are all kinds of national conventions. It depends very much on the kind of national convention to which we are invited.

[THE NATION] We can see lots of construction work going on in and around Rangoon, new hotels especially. What does this mean to Burma?

[Suu Kyi] New hotels. That's exactly what it means to Burma. And I am surprised that they are building so many hotels, nothing but hotels. And that I must frankly say is a little worrying. I would like to see new schools, new hospitals, new nurseries, new libraries, new bookshops. But everywhere there are hotels. That I think is a little worrying.

[THE NATION] You must have been surprised seeing all these new buildings after emerging from six years of house arrest.

[Suu Kyi] Not really, because I had been led to expect more change. There are many parts of Rangoon which remain totally unchanged. If you go around in a car you will see that the greater parts of Rangoon remain totally unchanged. I had been led to expect, just from listening to the news, that most of Rangoon had changed. This is not the case at all. Only a few areas of Rangoon have changed, in the sense that they are putting up new hotels. I am getting tired of hotels. Everywhere I go I find hotels. That one is a hotel. That is another hotel. That is an inn. That is a motel. It seems rather unbalanced to me that there should be so many hotels.

[THE NATION] What can be done to give it a proper balance?

[Suu Kyi] This is what all those who want to help Burma should think about. When we think of development, we should think of the broader human development of the country rather than economic development in narrow terms of more investments, tourists and hotels.

[THE NATION] Your environment is also being threatened. This is the same lesson we have learned in Thailand and other countries.

[Suu Kyi] I have heard that but, of course, haven't seen it with my own eyes.

[THE NATION] Is it happening here in Burma?

[Suu Kyi] I have heard it is happening along the border where we have so many teak forests. In Rangoon, trees have been cut down in the interest of hotels.

[THE NATION] Now that you have been freed, what stand should the world community take toward Burma?

[Suu Kyi] First of all, the release of other political detainees. I am the only one who has been released in the last three weeks. There are hundreds of other political detainees left. And secondly, to encourage dialogue and negotiations. This is not just for the sake of Burma but for the sake of establishing an international code of behaviour that problems are settled through negotiation. This would be an advantage to every country if we set a precedent that human beings sit down and talk to each other and solve their problems through negotiations and not through repression.

[THE NATION] Your message to all the potential donor countries and investors is "don't rush."

[Suu Kyi] Not to rush and to please encourage a climate of dialogue and negotiation.

[THE NATION] What if the military leaders continue to ignore you? They would allow you to talk to the press and to your people but they themselves will not move?

[Suu Kyi] We will cross the bridges when we come to them.

[THE NATION] Are you prepared for disappointments?

[Suu Kyi] Of course, we are prepared. But we will certainly not reveal all our strategies. We can't put all our cards on the table at this moment.

[THE NATION] Have you made preparations for such eventuality?

[Suu Kyi] My father used to say you have to hope for the best and prepare for the worst. And I always live according to that principle.

[THE NATION] Are you yourselves prepared to run the country either as president or prime minister?

[Suu Kyi] The advantage of being somebody in a democratic party is that you don't really have to prepare yourself as an individual for such responsibility because you are not going to be a dictator. You are going to be working as part of a team. And we have a good team. So I do not think I have to prepare myself in particular. We have a team which has the trust and confidence of the country. We have the ability to shoulder whatever responsibility the people wish to give to us.

[THE NATION] Are the military leaders on the right track in getting the minority groups to the negotiating table?

[Suu Kyi] Yes. The ceasefires are a very good idea. Ceasefires mean a decrease in human sufferings. But those are not permanent peace settlement. And that everybody has to admit that ceasefire is ceasefire. It is not permanent peace. This is just the very first step. We will have to go on and work for permanent peace. And we must hope there will not be a regression and that ceasefire agreements will not be broken.

[THE NATION] How would you handle the problem of the minorities if you have a say, especially along the Thai-Burmese border?

[Suu Kyi] In the end, there will have to be negotiated settlement. They will have to talk. There are only two ways of settling conflict — either you shoot each other or you talk to each other. And I prefer the talking.

[THE NATION] What would be the proper framework for a real union of Burma to be really established?

[Suu Kyi] First of all, we have to build up a climate of trust. This is what is missing in Burma. Until we build up a climate of trust we can't even start effective negotiations. It is easy enough to sit around the table but if everybody is suspicious of everybody we will never be able to come to any settlement acceptable to all. So we have to show the ethnic people that there is a government which they can trust and which sympathizes with their aspirations and their problems. And then I think we have to take it from there. It is possible that some of the ethnic groups may already have their own suggestions as to what kind of framework they wish to be in place before they can negotiate effectively. And it is also possible that particular framework is something that will have to be negotiated.

[THE NATION] Would you make the issue of the minorities a priority in your negotiation with the military leaders?

[Suu Kyi] The first thing is to start talking to each other. Then, of course, I accept that without the participation of the ethnic people we will not be able to really get lasting peace. So they certainly must come in.

[THE NATION] When you sit down with the military leaders what tops your agenda?

[Suu Kyi] That depends on when we sit down.

[THE NATION] If next week?

[Suu Kyi] If we sit down next week then I'll have to ask them to release all the political prisoners.

[THE NATION] Did the six years of house arrest have any effect on you physically and mentally?

[Suu Kyi] Physically, I have had problems with my neck even though it had nothing to do with my house arrest. I spent a lot of time reading. Mentally and emotionally, I think it has strengthened me. This is what all of us who were in prisons during the last six years have found out. Very few had been weakened but the majority of us have become stronger. We have had to in order to survive. So perhaps we should be thankful to them (the authorities).

[THE NATION] Did your separation from your family at any point weaken your resolve?

[Suu Kyi] No, it did not weaken my resolve. I have to admit that I had to train myself not to think about them too much. There was nothing I could do to help. It was a matter of discipline that I did not let my mind dwell on matters of which I could do nothing.

[THE NATION] Did you have any idea at all as to how long the house arrest would last?

[Suu Kyi] No. They started out saying it was going to be one year and then three years. Then it was five years. Then the interpretation of the law said it was to be six years. By that time I did not set any time limit and told myself to take it as long as it was necessary.

[THE NATION] What was your normal day like?

[Suu Kyi] Later by the time I got used to it I would get up at 4.30 am, meditated for an hour and listened to the radio for a couple of hours. There were different stations I listened to, like the BBC World Service, the VOA Burmese Service, the Democratic Voice of Burma. So I started the day with a full grasp of what was going on in the world outside. Then I divided up the rest of the day between reading and doing house work.

[THE NATION] What was the worst part of life under house arrest?

[Suu Kyi] I worried most about my colleagues — how they were and how their families were.

[THE NATION] The good part?

[Suu Kyi] The good part was that I had a lot of time to read.

[THE NATION] Were you allowed to get mail during the six years?

[Suu Kyi] In the beginning I was allowed to get letters from my family but later after the 20th of July 1990 when they extended by period of detention it was obvious that they weren't going to respect the results of the 1990 election I no longer accepted letters and parcels from my family.

[THE NATION] Did you feel at any stage that some harm might come to you?

[Suu Kyi] No. Let me put it this way, it didn't worry me. I was objectively aware of the fact that I was in a very vulnerable position. They could do anything they liked to me at any time. My greatest protection was the affection and the support of the people of Burma. The international community too, of course. But in the end it was really the support and affection of the people of Burma and respect they had for my late father which they extended to me which gave the best protection.

[THE NATION] Do you feel safe going around Rangoon?

[Suu Kyi] I think I am quite safe. I do not know. I cannot guarantee my safety.

[THE NATION] You have written in your book "Freedom from Fear" that "It is not power that corrupts but fear of losing power." What is your own fear today?

[Suu Kyi] Fear of letting down people who have faith in me. I would rather go down myself than letting them down. But I do not think I will let them down though I will not be able to do everything they want. But I have never promised them anything. I simply said I would try my best.

[THE NATION] Are you worried that you might not be able to live up to the expectations of the people?

[Suu Kyi] No. I don't think there is any point of worrying about that. I will try my best. People should not be encouraged to have too strong a feeling about one person. I have always said that we should not develop this kind of feeling which is in contrary to the interest of democracy.

[THE NATION] What message do you convey to the people when you go out to meet them?

[Suu Kyi] I ask them for their support. I tell them with their support I am confident I will be able to reach the goal they want to reach. And without their support that will not be possible.

Brunei, Malaysia & Singapore

Malaysia

Mahathir Backs Helms Proposal for Bosnia Fund

BK0208140495 Kuala Lumpur RTM Television Network 1 in Malay 1200 GMT 2 Aug 95

[FBIS Translated Excerpt] Prime Minister Datuk Sri Dr. Mahathir Mohamed says Malaysia ought to contribute to a Bosnian fund to purchase arms as proposed by U.S. Senator Jesse Helms. Apart from that Malaysia should set up its own fund for the same purpose.

Prime Minister was responding to newsmen at the Kuala Lumpur International Airport in Subang on his return from attending the air show in Oshkosh, Wisconsin. [passage omitted on proposed fund by senator Helms]

[Begin Mahathir recording] If we are the Bosnians, we certainly want people to help us. This is their turn of fate to be suffering, therefore we should be greatful that this bad luck did not happen to us. If it did, we will have to spend more money. We are fortunate that we are not suffering like others, therefore we should help unfortunate people. [end recording]

Responding to a question on the allegation that Malaysia's move to supply arms to Bosnia appears as if it is fuelling the war:

[Begin Mahathir recording] We can accuse the others for deliberately allowing the people of Bosnia, especially the Muslims, to be killed by the armed Serbs. The United States is not stopping the Serbs from being armed. The people in Malaysia feel that the Bosnians are ill-treated in this way. It is worse when they cannot defend themselves, while others are not willing to protect them. The others are just making sure that they are not hurt at all. Although they are peacekeeping forces, they only become peacekeepeers if there is peace in the country. If there is no peace, they are not peacekeeping forces. They are peacekeepers and not peace enforcers. [preceding sentence in English] [end recording]

Defense Minister on Bosnian Defense, Arms Sales

BK0308084195 Kuala Lumpur BERITA HARIAN in Malay 2 Aug 95 p 11

[FBIS Translated Text] Kuala Lumpur, Tuesday [1 August] — The government will not make a hasty decision on selling weapons to Bosnia-Herzegovina for fear of being condemned as a country responsible for further aggravating the war in the Balkans. Defense Minister Datuk Syed Hamid said Malaysia's support for the decision by the Organization of the Islamic Conference (OIC) in Geneva concerning the Bosnian issue was aimed at rendering assistance to that country in an effort to overcome the current problem.

Speaking after receiving an official visit from Thai Royal Army Commander Wimon Wongwanit at the Defense Ministry today, he said: "What is important is that our country is not a weapons supplier."

On this occasion, Syed Hamid presented a military award to Wimon in honor of his contributions toward further enhancing ties with the Malaysian Armed Forces (ATM) in several military fields.

Regarding Malaysia's Malbatt [Malaysian Battalion] in that country, Syed Hamid said Malaysia will send more weapons and military personnel from time to time in an effort to ensure that the defense system is adequate.

He said: "The government is also considering a strategy to change the Malbatt's duty from that of peacekeepers to enforcers in accordance with the withdrawal of the Unprofor [UN Protection Force]."

Indian Prime Minister Rao Arrives on Visit

Welcomed Upon Arrival

BK0308085195 Kuala Lumpur RTM Television Network 1 in Malay 0530 GMT 3 Aug 95

[FBIS Translated Text] A ceremonial welcome has been accorded to Indian Prime Minister P.V. Narasimha Rao, who arrived in Kuala Lumpur yesterday on a four-day state visit.

Upon arrival, he was greeted by Prime Minister Datuk Sri Dr. Mahathir Mohamed as the national anthems of the two countries were played by the Royal Malaysian Armor Central Band. Following this, Rao inspected an honor guard mounted by officers and men of the First Battalion of the Royal Malaysian Regiment under the command of Major Zamros Moghamed Zain. Later, the Indian prime minister was introduced to members of the Malaysian cabinet and representatives of foreign missions.

Present at the ceremony were Deputy Prime Minister Datuk Sri Anwar Ibrahim; Acting Foreign Minister Datuk Abang Abu Bakar Mustapha; and Datuk Dr. Abdullah Fadzil Che Wan, the deputy defense minister, who acted as the minister in attendance.

Rao is accompanied by a 140-member delegation, including ministers of state, senior government officials, and businessmen.

Holds Talks With Mahathir

BK0308103395 Delhi All India Radio Network in English 0830 GMT 3 Aug 95

[FBIS Transcribed Text] The prime minister, now in Kuala Lumpur, has had two rounds of talks with his Malaysian counterpart, Dr. Mahathir Mohamed, lasting over an hour. The two leaders had a free exchange of views on various issues and agreed that the two countries should work for expanding government-to-government as well as business cooperation. Mr. Narasimha Rao said the new economic partnership emerging between the two countries would serve as a model for other developing countries. While stressing on cooperation in building infrastructure, the two leaders felt that there are also many other areas that need exploration. It was felt that Malaysia's experience in economic transformation and financial resources could be matched with India's developed human resources and technological capabilities. Both the leaders stressed the need for Asian countries to come together and pool their experience and resources to forge an Asian identity. They said the two countries should also work for more South-South cooperation.

Later, addressing a gathering of Malaysian businessmen, the prime minister urged them to become a partner in India's economic growth. Mr. Narasimha Rao said the liberalization policies are engineering a major transformation in the economy. The GDP has grown at 5.3 percent and is expected to reach six percent and beyond. Industrial growth has also exceeded eight percent. He said a significant achievement of his government has been depoliticization of the economic policy and all the state governments, including those ruled by the opposition, have supported the economic policies.

Singapore

Editorial Welcomes Vietnam's Entry to ASEAN

BK0308053895 Singapore THE STRAITS TIMES in English 2 Aug 95 p 26

[Editorial: "Vietnam's Gain is ASEAN's Too"]

[FBIS Transcribed Text] The turn of history's wheel in Southeast Asia has created opportunities and challenges for both ASEAN and Vietnam. As swords are beaten into ploughshares, there is every likelihood of a flexible, pragmatic, and confident ASEAN burying old enmities, and emerging as a force for stability in tackling the region's economic, political, and security issues. Economic cooperation has always been central to ASEAN's strength; bearing in mind the most pressing needs of its seventh and latest member, the association will now be able to return to its original raison d'etre and cater to a market of nearly 500 million people. The prospect of further expansion lends additional importance to that objective. Like Vietnam, ASEAN members of the future —Myanmar [Burma], Cambodia, and Laos — will seek common ground in trade, investment, and the development of their natural resources expecting the economic rationale to yield greater benefits than the political systems under which they have laboured for so long.

This regionwide acceptance of its ideals represents a historic triumph for ASEAN. It is also a vindication of the free market on which the group is pivoted. The development is equally momentous for Vietnam for which one success has followed another in quick succession. Within the space of a month, Vietnam finally received overdue recognition from the United States, signed a treaty with the European Union, and joined ASEAN. Membership is bound to have an impact on domestic and foreign policy. It will give an impetus to the transition that is already taking place from a centrally planned to a market economy. It will also promote the "diversified" foreign policy of which Foreign Minister Nguyen Manh Cam speaks. Admitted to the ASEAN Regional Forum last year as a founding member, Vietnam is determined to play a major role in the Asia-Pacific Economic Cooperation forum and the World Trade Organisation.

History, size, a population of 72 million, the biggest military force in Southeast Asia, and a growth rate of nearly 9 percent sustain this sense of manifest destiny. Asia and the world will be all the richer for Vietnam's emergence from isolation. But destiny will remain elusive until growth matches self-image. This is where ASEAN membership is crucial to the future. The group now accounts for 28 percent of Vietnam's exports and imports, and for nearly 17 percent of all foreign capital invested in the country. Integration with the region will lead to substantial increases in both trade and investment. Wealth generation is also expected to mitigate the residual ills of Vietnam's political system. Admittedly, these changes will not be accomplished overnight. It will take time, for instance, to dismantle the command system. But, obviously, Vietnam cannot afford to lag behind the rest of ASEAN for too long. The agreed road map should ensure harmonious integration by 2006.

Such far-reaching transformation on several fronts must include hiccups along the way. Strains are bound to be felt within Vietnam as the leadership finds alternative and more productive work for a vast number of men in uniform, and as party cadres adjust to the new ethic. ASEAN, too, might well feel the strain of transition from what Prof. Chan Heng Chee called "a cosy club" of like-minded members to a more diverse group of countries with totally different experiences in history and politics. This new phase in ASEAN's evolution underlines the increasing interdependence among nations. It creates opportunities for taking a collective stand on regional issues like the Spratly islands dispute. And it offers scope for containing and resolving problems as well as balancing other powers. It also warns against expecting agreement on all questions, or confusing consensus with unanimity. "Difficulties will give birth to wisdom," says Mr. Cam, quoting a Vietnamese proverb. Whether they do or not, that awareness of pitfalls ahead is half the battle won.

Government Details Jump in Investment Abroad

BK0208045095 Singapore BUSINESS TIMES in English 29-30 Jul 95 p 2

[Report by Chuang Peck Ming — all figures in Singapore dollars]

[FBIS Transcribed Text] Singapore's investment abroad — including portfolio investment — totalled $50.1 billion at end-1993, up $7.9 billion from 1992, says the Department of Statistics.

The 18.6 per cent jump was fuelled mainly by the growth in its direct investment, the department says in a report entitled Singapore's Investment Abroad, 1990-1993.

Direct investment abroad was $28.2 billion at end-1993, up 25.5 per cent from 1992. It accounted for 56.3 per cent of total investment overseas in 1993.

The direct investment figures were released last year in a Department of Statistics special report.

The latest report, released yesterday, gives a more complete picture of Singapore's overseas investment by including data on portfolio investment and other foreign assets.

Portfolio investment abroad — comprising investment in shares of foreign companies, bonds and other securities — was $8.1 billion at end-1993, only 6.2 per cent higher than in the previous year.

Investment in other foreign assets — residual investments in other instruments, property, money deposits and loans granted to companies — jumped 13.7 per cent to $13.8 billion.

Wholly foreign-owned companies remained the biggest investors in markets abroad. By end-1993, they had invested a total of $21 billion — up 20.4 per cent and accounting for 43.5 per cent of total investment.

Wholly local-owned companies raised their investment 19.5 per cent to $13.6 billion, while majority local-owned companies raised their investment from $9.9 billion to $11.3 billion. Investment of majority foreign-owned companies rose from $2.7 billion to $3.4 billion.

The report gives no further details of Singapore's total investment abroad. It only has the breakdowns for direct equity investment, which show 54 per cent of such investment was deployed in Asia.

Asean countries accounted for 27.9 per cent of Singapore's direct equity investment, North America 8.8 percent and Europe 7.3 per cent.

"With the regionalisation drive, together with the continuous attractiveness and growth of investment opportunities in many Asian countries, the strong growth of direct investment is expected to continue in 1994," the report says. And most of this will be in Asia.

Individually, Malaysia and Hong Kong took up the two biggest shares of Singapore direct equity investment in Asia — $4.7 billion and $4 billion, or 21.9 and 19 per cent respectively. Lagging behind were Indonesia (2.4 per cent), China (2.1 per cent) and Thailand (2.1 per cent).

More than half — 55.2 per cent — of Singapore's overseas investment was in the financial sector and 21.7 per cent in the manufacturing sector. A significant share was also invested in the commerce sector (9.7 per cent) and real estate (6.1 per cent). The number of companies set up abroad rose 7.4 per cent to 3,174 at end- 199.

Cambodia

Khmer Rouge Sees Failure for Christopher Visit

BK0308031295 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 2 Aug 95

["Communique" issued by unidentified spokesman of the Provisional Government of National Union and National Salvation on 2 August; place not given]

[FBIS Translated Text] I. It has been reported that on 4 August, vulture Christopher, secretary of state, chieftain of the villainous Western alliance, is making a swooping visit to Phnom Penh so as to lick the skin excretions of the communist Vietnamese aggressors and race exterminators.

II. The Cambodian people have never forgotten the old and new cruelest and most barbarous crimes committed by the U.S. imperialists against the Cambodian nation and people, especially from 1970 to 1995, the present day, which are:

1. After staging a coup d'etat to topple independent, peaceful, neutral, and nonaligned Cambodia in 1970, the U.S. imperialists ignited the war of aggression against Cambodia, using all types of aircraft, especially the strategic B-52's, to conduct massive bombing, thus destroying all of the villages, houses, cattle, hogs, fowl, rice, and crops of the Cambodian people. Countless numbers of people, young and old, male and female, and children and babies, were killed, wounded, and maimed — some lost their eyes, arms, and legs. All these wounds are still seen everywhere in present-day Cambodia.

2. After their defeat in 1975, the U.S. imperialists together with communist Vietnam have continued to kill the Cambodian nation and people through such activities as inciting riots and internal coups and launching secret bombing to destroy the cities and townships.

3. After the signing of the 1991 Paris agreements, the United States together with the UNTAC [UN Transitional Authority in Cambodia] and communist Vietnam have violated the Paris agreements by turning the four-party national coalition into a two-party one and maintaining the aggressor communist Vietnamese forces in Cambodia.

After integrating them into a two-headed regime, the United States — the alliance chieftain — has joined hands with the communist Vietnamese in continuing to kindle the war, causing it to blaze seethingly until today. This has caused the Cambodian nation and people to continue suffering miserably from endless starvation.

The Cambodian nation and people — the genuine heroic nation and people — have risen up, however, and jointly struggled against the old and new enemies, inflicting successive defeats on them. The communist Vietnamese have been defeated and failed to swallow up Cambodia; and UNTAC and the alliance have also been defeated and failed to kill the resistance forces of the Cambodian nation and people.

As for the two-heads who have been merged by the alliance and communist Vietnam for use in smashing the resistance forces of the nation and people and killing the nation and people, they have also been attacked and defeated by the Cambodian nation and people. They have suffered all-round agony and are heading toward a total collapse.

III. Vulture Christopher is going to Phnom Penh with a pale face and hopeless about the prospects of rescuing the two-headed regime. The two-headed regime is falling apart like a crumbling hut. It is falling apart politically, economically, and socially. It does not have enough rice to fill its pot.

As for the forces of the United States, including the Para [former non-communist resistance forces] and those of the FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia], and Buddhist Liberal Democratic Party, they have all been smashed by the communist Vietnamese and communist Vietnamese puppets. Christopher will not be able to resurrect them. Communist Vietnam has monopolized everything. The United States and the alliance are barehanded, losing both money and forces. All they can do is to brownnose the communist Vietnamese and lick the skin excretions of the communist Vietnamese.

IV. The Cambodian nation and people do not want to make enemies with any other country. The Cambodian nation and people only want to coexist peacefully with all countries and people around the world. The Cambodian nation and people definitely do not want the nation-selling and most corrupt traitors Hun Sen, Chea Sim, Ranariddh, and Sar Kheng.

The Cambodian nation and people want national reconciliation, national unity, and national forces and good individuals who think of the national and people's interests to jointly resolve the national and social problems, improve people's livelihood to enable them to have land and enough rice and food to eat, and to rebuild the country.

The United States should reconsider its move, so that it can have genuine forces in Cambodia and enjoy interests in Cambodia.

This is the path toward reconciling the Cambodian nation and ending the communist Vietnamese war, a path toward genuine peace.

2 August 1995

The PGNUNS spokesman

Khmer Rouge Minister: Regime 'Disintegrating'

BK0208042395 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 31 Jul 95

["News conference" by Mak Ben, "minister in charge of rural areas, agriculture, and water conservancy and representative of the Provisional Government of National Union and National Salvation," on 31 July; place not given — recorded]

[FBIS Translated Text] [Mak Ben] I would like to inform the compatriots of the cabinet meeting of the Provisional Government of National Union and National

Salvation [PGNUNS] held on the morning of Monday, 31 July, as follows:

Today, 31 July, the cabinet attentively and throroughly examined the internal situation of the country directly involving the struggle waged by our nation and people to save our nation and defend our nation, people, and race. The cabinet has seen the fact that the two-headed regime is disintegrating in all sectors and all fields, politically, socially, economically, and militarily.

1. The political field.

The two-heads are totally isolated from the Cambodian nation and people. They have been very clearly exposed as the out-and-out puppets and lackeys of the communist Vietnamese. The two-heads have not enjoyed any backing from the nation and people, who hate and oppose them, and wage battle against them in all directions.

The struggle of the national forces and the people in the countryside, in Phnom Penh, and abroad against the traitorous, nation-selling, arch corrupt two-heads and against the war of the communist Vietnamese, alliance, and two-heads has become even more unified and heated.

2. The social field.

In the social field, the two-heads have fallen to the bottom due to their extremely wicked policy and deeds. The communist Vietnamese war in the past 16 to 17 years have completely ruined the nation and people. Both the Vietnamese and the communist Vietnamese puppet administration have robbed the people of everything. The alliance and dishonest businessmen have also joined with the communist Vietnamese and two-heads to rob our people of everything. The old and new enemies have plundered and deprived the people of everything, their land, economy, seas, rivers, streams, forests, and all types of natural resources. The people have thus been impoverished, having nothing to feed themselves. Millions of them are starving. In addition to life-or-death conflicts, the enemies have caused increasing disputes with the people over land problems, starvation, a thousand-and-one taxes, and the forcible recruitment of soldiers and militiamen to fight and die in their place. The people are very angry with them and cannot stay still with folded arms. The people in all provinces and everywhere have risen up and struggled to demand land and food from the local authorities. They even went to Phnom Penh, the lair of the enemies, to struggle and make this demand.

3. The economic field.

The economy has been ruined to the ground by the two-heads. The two-heads do not have enough rice to eat, and have only survived until today because of the pennies the alliance has given it to feed the war.

4. The military field.

Communist Vietnam, the alliance, and two-heads have used the battlefield as the key to solving their all-round difficulties. However, they have been even more deeply bogged down on this battlefield. The two-heads have suffered even more serious defeats in the dry and rainy seasons. They have not had enough troops to fight with and have failed to recruit new troops. The national forces and people have cut off their strategic transportation lines — their vital lifeline — in many places, especially in the north and northwest of Cambodia. The cutting of the enemy's lifeline is not only in the military aspect. It is also in the economic and social aspects, thus causing the two-heads to become even more destitute.

The fact that the two-heads, communist Vietnam, and alliance had ordered hundreds of puppet troops to arrogantly cross into a neighboring country to launch attacks on Democratic Kampuchea [DK] zones from the back clearly attests to the agonizing state confronting the two-heads.

The cabinet realizes that the two-heads have suffered defeats and are disintegrating not just on a few but on all battlefields. The two-heads are being tromped upon, and their necks, hips, and backs are being broken. They have been unable to extricate themselves from this. They face this crisis in all aspects because the out-and-out lackeys of communist Vietnam and the alliance have implemented the policy of fuelling the communist Vietnamese war, committed treason, sold out the nation, and are extremely corrupt. However, this crisis suffered by the two-heads and their masters in Cambodia is also a result of the valiant and arduous struggle waged by our nation and people, DK, and PGNUNS.

However, the enemies, although they are falling apart, have been striving to carry on the war to kill our nation and people in line with their evil and barbarous nature.

Communist Vietnam has not abandoned its strategy to annex and make Cambodia a part of Vietnam as it did the second Kampuchea Kraom [ancient Cambodian territory lost to Vietnam in the 17th century]. The alliance has also continued joining hands with communist Vietnam and the two-heads to fuel the war to kill Cambodian nation and people.

In such a situation, the National Union Party [NUP] and PGNUNS have no other alternative but to make further efforts, with a high sense of responsibility for the fate of the nation, people, and race, to unite firmly and unswervingly with the whole and entire nation and people, and struggle even more harmoniously, vigorously, and arduously to put a definite end to the war of communist Vietnam, the alliance, and two-heads and, thereby, to achieve national reconciliation and peace.

The NUP and PGNUNS have regularly advised the local, provincial, district, and army unit committees to pay attention to joining forces with the nation and people everywhere. One hand must be used to attack the enemy, using all forms and means, in the current rainy season so as to increase the favorable conditions to end the communist Vietnamese war. The other hand must be linked closely with the people, doing their best to help them solve their economic problems, livelihood, starvation, and all-round difficulties due to the war of the communist Vietnamese, alliance, and two-heads, giving them all-out morale and physical support according to the realities in each locality, thus alleviating the misery and suffering of our beloved people.

These are all the main points raised at the 31 July cabinet meeting that I would like to relate to all compatriots.

[Correspondent] Thank you, Excellency. On behalf of the PGNUNS radio, I would like to ask you the following question: You have said that the national forces and people have struggled in a more harmonious manner, can you please elaborate?

[Mak Ben] Yes. At present, our national forces and people have been struggling in a more harmonious and heated manner. This struggle has been waged everywhere in the countryside, in Phnom Penh, and abroad. The peasants have fought against recruitment by the two-heads and have demanded rice to eat and land. They have struggled in their villages and communes and have even gone to struggle in Phnom Penh.

The masses in Phnom Penh, journalists, students, pupils, teachers, intellectuals, workers, traders, government officials, and even the politicians within the ranks of the two-heads have struggled. They have demanded a settlement of all problems, national and social problems, corruption and nation-selling by the two-heads, Vietnamese immigrants flowing into Cambodia, Vietnamese prostitutes, AIDS, unemployment, rising prices of goods, starvation due to shortages of rice and food, democratic rights and freedoms, and so forth. They want so much to end the war. They want very much to achieve peace and to have a genuine national government to rule the country. They do not want the present traitorous nation-selling two-heads.

The Cambodians living abroad have also struggled in their own form and according to their ability. Briefly, the present struggles in the countryside, cities, and abroad have been turned into single battlefield for the entire Cambodian nation and people fighting against the communist Vietnamese, two-heads, and alliance to save our nation. The resistance forces of our nation and people are now glowing seethingly, and nothing can stop them.

The forces of peace and national reconciliation will definitely conquer the aggressive warmongering forces.

[Correspondent] Thank you, Excellency.

King Returns After Medical Check-Up

BK0308084795 Hong Kong AFP in English 0801 GMT 3 Aug 95

[FBIS Transcribed Text] Phnom Penh, Aug 3 (AFP) — Cambodian King Norodom Sihanouk returned here Thursday after a one-month stay in Beijing for a medical check-up.

The king, who maintains a residence in China, returns there every three months for evaluations of his cancer condition.

At Phnom Penh's Pochentong International Airport, the king and his wife, Queen Monique, were received by the Cambodian co-prime ministers, Prince Norodom Ranariddh and Hun Sen, senior government officials and diplomats.

On Friday, the king is expected to meet with US Secretary of State Warren Christopher and host a formal dinner for him at the royal palace. Christopher is making a brief stop in Cambodia on his way to Hanoi from the Association of South East Asian Nations meeting in Brunei.

King Sihanouk left Cambodia for Beijing on June 29.

Political Infighting in BLDP Continues

BK0108145195 Phnom Penh PHNOM PENH POST in English 28 Jul-10 Aug 95 p 5

[Report by Anugraha Palan]

[FBIS Transcribed Text] The Ieng Muli faction of the Buddhist Liberal Democratic Party (BLDP) has voted to expel six opposing party members, a source has told the Post.

The move — which could lead to the members losing their seats in the National Assembly — was decided at a July 20 meeting of Muli and his supporters.

A vote to expel Son Sann, Son Soubert, Pol Ham, Kiet Sokun, Kim Sokha and Koy Chhoeun from the party was passed with minimal dissent, according to one person present.

But there was some discussion on "whether it was necessary to expel all six members or only some of them".

However, Muli himself was quoted as saying on July 24 that no decision on the six had yet been made. He could not be reached for further comment.

Earlier, in another behind-the scenes move, the Muli faction replaced BLDP MP [member of parliament] Son Chhai as Secretary-General of the party — a position he was appointed to by the same faction less than two months ago.

Sieng Lapresse, a BLDP member who is also the Ministry of Information's official spokesman, is said to have been appointed to the role.

One party member, who would not be named, said Chhai was replaced while "away on a trip to Malaysia between July 10 and 15" and did not find out about it until his return.

The reason for the dumping of Chhai, who spoke in favor of Muli at the latter's recent congress of BLDP members, remains unclear.

But political jockeying for position between the two BLDP factions — those of Ieng Muli and Son Sann — continues unchecked.

Son Sann, in a July 12 letter to National Assembly chairman Chea Sim, labeled Muli's recent congress as "illegal" and that Muli had already been expelled from the party.

Son Sann and his supporters, who are organizing their own BLDP congress on October 1, voted to expel Muli on June 18.

Meanwhile, Muli wrote to assembly deputy chairman Loy Simchheang on July 13 to request that Son Sann and the five MPs who support him be barred from using BLDP seals and logos.

Muli wrote that his congress had passed a vote of no confidence in the six and authorized the laying of official complaints "against any individual who illegally uses the official seal, opens an office or organizes meetings of the BLDP".

Neither letter has received a response, and the legal situation remains vague.

But if National Assembly officials should accept the legality of Muli's faction — and given the case of dissident Funcinpec [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] MP Sam Rangsi — the six MPs could find themselves out of the assembly as well as the party.

Attempts to reach a compromise between the opposing groups have been made, though people on both sides hold little hope they will be successful.

A member of the Son Sann faction said Sann had agreed to step down as BLDP President and accept the post of Honorary President, if that was what the majority of the party wanted.

"He accepted the proposal and he accepted the reorganization of the party structure as long as BLDP did not give up its political line and principles," the source said.

The member admitted that many party members felt "Son Sann is too old and very anti-Vietnamese and does not have the support of the international community."

He added: "I do not think there will be a compromise, though I hope so."

Said another Son Sann faction member: "I think the party will be destroyed because the government does not want any opposition."

A Ieng Muli follower was also candid.

"Many BLDP members support Ieng Muli because they hope they will get important jobs in the government. They think he is closer to Funcinpec and CPP [Cambodian People's Party]."

Very little is known about how much support each BLDP side actually commands at the rank and file level.

Estimates of the attendance at Muli's recent congress ranged from 1,500 to the official figure of 5,000. Critics from the Son Sann group say there were no representatives from provinces like Takeo and Kompong Thom.

Son Sann's support will not become clear until his own congress, but the Post has seen a declaration signed by 80 party officials from one province in support of him.

Meanwhile, King Norodom Sihanouk, in a July 18 letter to Son Sann, said he could not be involved in a party's internal affairs, according to a member of the Son Sann group.

Indonesia

Minister Optimistic on Competitiveness in AFTA

BK0208154395 Jakarta REPUBLIKA in Indonesian 2 Aug 95 p 2

[FBIS Translated Text] Jakarta — Trade Minister Satrio Budiharjo Yudono is optimistic that Indonesia will be competitive if the ASEAN Free Trade Area [AFTA] takes effect in the year 2000. However, he adds that the matter will be first discussed in a meeting among related departments.

The competitiveness of Indonesian products is not as low as expected," he said after swearing in four staff experts and 23 second-echelon officials of the Department of Trade in Jakarta on Tuesday (1 August). Billy, as he is known casually, said Indonesia is gradually implementing the common effective preferential tariffs (CEPT) scheme to reduce import tariffs of goods in the AFTA framework.

Billy said the CEPT was manifested in the 23 May deregulation package. In addition, Indonesia is also committed to further tariff reductions of various imported products within the framework of Asia Pacific Economic Cooperation (APEC) and the World Trade Organization (WTO).

ASEAN countries had earlier agreed to implement AFTA in 2003. Sultan Hassanal Bolkiah of Brunei Darussalam, however, proposed at the opening of the ASEAN meeting in Bandar Seri Begawan that the AFTA implementation be brought forward to 2000. If this happens, many more products from its ASEAN neighbors will flood Indonesia's domestic market.

Billy said a follow-up to Sultan Bolkiah's proposal will be known during a meeting of ASEAN economic ministers in Brunei in September. Indonesia itself will internally discuss the AFTA issue at a meeting of its trade-related departments.

"Indonesia's readiness will also depend on the Department of Industry, the Department of Agriculture, and the Department of Finance," he said. The import tariffs of industrial and agricultural products and financial services are to be reduced in the AFTA framework. Several industrial products have been included in the CEPT scheme since 1992. (See table)

Despite Billy's optimism, Industry Minister Tunky Ariwibowo seems to have reacted cautiously to Sultan Bolkiah's proposal. "We will study the matter first," he said briefly following a joint meeting of the offices of the coordinating minister for economy, finance, and development supervision and of the coordinating minister for industry and trade in Jakarta on Tuesday.

Industrial Products Covered by the 1992 CEPT Scheme

Group	Remarks
1. Cooking oil	Vegetable oil and its byproducts Animal oil and its byproducts
2. Cement	Lime, cement, and construction material
3. Chemicals	Organic and inorganic chemicals
4. Pharmaceutical products	Medicine and pharmaceutical products
5. Fertilizers	Ingredients for fertilizers and artificial fertilizers
6. Plastics	Polymer, vinyl, polyacetate polycarbonate, other plastic substances
7. Rubber products	Rubber goods, including tires.
8. Leather products	Pure and mixed leather products
9. Pulp	Pulp and ordinary paper
10. Textile	All kinds of textile and ready-made garments
11. Ceramic products, glass	Glassware, ceramics
12. Jewelry and ornaments	Pearl, precious stones, and gold and silver ornaments
13. Copper and cathode	Copper
14. Electronics	Telecommunications and electronic products
15. Wood and rattan products	Furniture and its components

Source: the Department of Trade.

Daily Views Impact of SRV Entry to ASEAN

BK0208163895 Jakarta SUARA PEMBARUAN in Indonesian 1 Aug 95 p 2

[Editorial: "Vietnam's Entry Increases ASEAN's Strategic Weight"]

[FBIS Translated Text] Only five persons — the foreign ministers of Indonesia, Malaysia, Singapore, Thailand, and the Philippines — posed for a group photograph when ASEAN was set up in Bangkok in 1967. Two days ago, seven foreign ministers did that at the end of the ministerial meeting in Bandar Seri Begawan, Brunei Darussalam.

Indeed, many important things have emerged from the meetings that have been regularly rotated among member countries. However, Vietnam's admission into ASEAN has had a very strategic impact on the organization. Vietnam, which has a population of about 74 million and defeated the superpower the United States in a long war, will definitely increase the organization's weight.

ASEAN was set up during the Cold War. Later, the war raged along the borders of Thailand, an ASEAN member, with its outcome remaining unclear. Thailand, which saw its border with Cambodia threatened by a civil war in Cambodia, definitely felt safer with the presence of U.S. troops on its soil. As a matter of fact, the land of the white elephants served a base for U.S. bombers to carry out operations in Vietnam and Cambodia.

Under these circumstances, it was not surprising that countries such as North Vietnam (at that time) accused the organization of being a U.S. project or, at least, a very pro-Western group. We understand why North Vietnam was suspicious of ASEAN because at least four of the founding members had once launched suppression campaigns against or were suppressing communist movements then. On the other hand, North Vietnam's victory in South Vietnam in 1975 made Thailand, which more or less believed that the "domino theory" would become a reality, more resentful of communist Vietnam. Thailand's resentment increased when Vietnamese troops invaded Cambodia. The invasion led to the downfall of the brutal Pol Pot regime and simultaneously triggered a new civil war in Cambodia.

Because of these sentiments, several neighbors initially felt that ASEAN did not fully live up to its declarations. For example, North Vietnam, perhaps, respected only Indonesia. The Republic of Indonesia, which won its independence through a bloody struggle, was highly respected by North Vietnamese leaders. Moreover, we had a special relationship with it during the rule of Bung [Brother] Karno [President Sukarno], who was put on par with Ho Chi Minh, the father of new Vietnam.

The situation is very different now. Vietnam is gradually presenting a new face and is giving priority to economic development rather than military buildup. Over the past several years, international businessmen have anticipated a new Vietnam that would be very attractive economically. Vietnam, which is one of the most populous countries in the region, will certainly be very hungry for various products. It is a bitter fact that Indonesia, which has maintained the longest diplomatic relations with Vietnam, has been the latest to invest in Vietnam. Singapore and Malaysia have invested $1.4 billion and $670 million respectively in Vietnam. Even Thailand, which was once the most antagonistic toward Vietnam, is far ahead of Indonesia in terms of investment.

With Vietnamese membership in ASEAN, we can prove to many other countries that are geographically qualified for membership, that ASEAN is purely a regional cooperation forum without real political or military bonds. We even believe that future ASEAN members will experience the benefits of joining the association.

If Burma joins ASEAN, we hope that the organization's strategic weight will further increase. There are no reasons to be pessimistic over Burma because there was a similarly negative perception about Vietnam 20 years ago. Burma is a big country. Great economic potential exists there just like in Vietnam, irrespective of the criticisms over its undemocratic practices.

In the past, Vietnam regarded Indonesia as the only country that deserved due respect for its ability to free itself from colonialism. Fifty years ago, Burma was one of the very few countries that helped our struggle for independence. This is a historical bond that cannot be easily ignored.

Philippines

War Exercises With U.S. Said Provoking PRC

BK0308084495 Manila THE SUNDAY CHRONICLE in English 30 Jul 95 p 4

[From the "Here and There" column by J.V. Cruz: "Will Ramos Pimp for US?"]

[FBIS Transcribed Excerpt] London — A news report says Philippine and US Navy commandos have been holding special-warfare training exercises in an area "near the contested Spratly Islands." But the exercises, according to the Philippine defense department, have "nothing to do with the Spratly issue." They were "designed for the safety and protection of harbors, naval facilities and vessels" and were "routine" exercises conducted every year. Two teams, a patrol craft and several light helicopters were training with two US Navy SEAL [sea, air, and land] teams the report added.

The defense department's effort to play down the maneuvers is pure baloney. Their location, "near the contested Spratly Islands," is another ill-disguised attempt to provoke the Chinese into some kind of over-reaction that would then bring a strong condemnation from the Philippines, the US and possibly some "allies." When Mr. Ramos sent a contingent of journalists on board a Philippine Navy ship to the Spratly Islands to see things for themselves, we said then he wouldn't have done it unless the Americans had put him up to it or promised him full support in case things went wrong. The objective then was to provoke the Chinese.

The objective of these joint Philippine-US navy exercises is the same. President Ramos, the West Point graduate, has evidently entered into a deal with the US, under which he will help it create and build up tension in our part of the world between it and China. The hope is to launch Cold War II, this time with China and the US as the antagonists, and thus revive the flagging fortunes and profits of the US military-industrial complex, whose arms sales and other money-making ventures depend — as they always have — on war jitters and international tensions. It is true that a number of local wars are going on right now, notably Bosnia-Herzegovina, but this is chicken-feed compared to what a full blown confrontation between China and the US, both nuclear powers, could generate. Then every country in the area would want to arm itself to the hilt and the cash register won't stop singing for the military industrial complex. "Happy days are here again." [passage omitted on rising tension between China and the United States over Taiwan's president's visit to the United States]

Right now the US has no special friends in Southeast Asia and no special relations with any country in the region — except the Philippines as and its president, the West Point graduate. After its Philippine bases had been thrown out by the Senate it went around the region, with its tail between its legs, selling the snake-oil lotion of "pre-positioning" its ships in various Southeast-Asian countries — a system of floating bases. Quickly, categorically and unconditionally, Indonesia, Malaysia and Thailand (yes, even Thailand) said no dice, but not the Philippines: it would keep the proposal under advisement.

The US needs a padrino [sponsor] to help it reopen its lines of communications with the ASEAN nations regarding "pre-positioning" Padrino is the polite word, or honest broker, the earthier and perhaps more precise word is pimp. And this is the role that President Ramos and his administration may be expected to play in the top-level ASEAN meetings scheduled this week. Using the Spratly conflict as an excuse, they will try to convince their ASEAN partners that China has become increasingly aggressive — arresting Henry Wu and those missile tests off Taiwan — and a deliberate effort must be set in motion now to "contain" it. And this effort cannot possibly succeed, or even get off the ground, unless the US was a major, if publicly low key, participant.

This is the agenda that President Ramos, the West Point graduate, and his administration have laid out. We urge our readers to keep this in mind and watch their moves, step by step, to implement it. Until now we've had the most friendly relations with the People's Republic of China, and there's no reason an earth we should invite, attract or provoke its hostility, unless we've gone bananas. Or, unless it will serve the best interests of the United States of America for us to do so. In which case, with a president like we've got, full steam ahead, West Point graduate yata 'yon [indeed], and nobody has shown more devotion, servitude and fidelity to the US military industrial complex than the graduates of West Point.

Foreign Secretary Hails PRC Spratlys 'Shifts'

BK0308102695 Hong Kong AFP in English 1012 GMT 3 Aug 95

[FBIS Transcribed Text] MANILA, Aug 3 (AFP) — The Philippines on Thursday hailed China's new "readiness" to negotiate the ownership of the disputed Spratly Islands.

Foreign Secretary Domingo Siazon issued a press statement that said China had showed "some shifts in its public posture" over the archipelago during a dialogue between the Association of Southeast Asian Nations (ASEAN) and its trading partners including China.

China claims "indisputable sovereignty" over the islands in the South China Sea, which are believed to contain oil and would also extend China's territorial waters far south.

But the Philippines and several other ASEAN members also claim the Spratlys in whole or in part.

"Since Chinese officials have expressed a readiness to deal with the issue on the basis of international law, including the UN Conference on the Law of the Sea, there is some room now for discussions with China on the basis of objective legal norms in place of a unilateral assertion of claims and rights, " Siazon said.

But he also said,"there are still no easy solutions to the problems in the South China Sea."

He urged claimants to "refrain from all threatening actions, and come to a workable understanding on a code of behavior in the area that would reduce tension and build confidence among themselves."

The chain is claimed in whole or in part by ASEAN members Brunei, Malaysia, the Philippines and Vietnam, as well as by China and Taiwan. ASEAN includes non-claimants Indonesia, Singapore and Thailand.

Tensions were heightened after it was announced in February that China had built structures on a Spratlys reef claimed by the Philippines.

Ramos Rejects Boycott on French Goods

BK0308062095 Quezon City Radio Filipinas in English 0230 GMT 3 Aug 95

[Weekly news conference by President Fidel V. Ramos before domestic and foreign correspondents, moderated by Press Secretary Hector Villanueva, at Malacanang in Manila on 2 August — recorded]

[FBIS Transcribed Excerpt] [Passage omitted] [Villanueva] Ben Buenavista (reporter) of ABS-CBN, Mr. President.

[Buenavista] Sir, may I just claim that this nuclear testing by France, there is a clamor by cause-oriented groups that the RP [Republic of the Philippines]-France (defense treaty) should now be scrapped, and that Senator Maceda this morning has requested that business activities with France can also be suspended in the meantime that France will not heed our appeals, sir. [sentence as heard]

[Ramos] Well, you already know our response to France, to these forthcoming nuclear testing activities of France, by way of a diplomatic note and also a personal letter to the president of France, President Jacques Chirac, and this has also been (?well above), or duplicated at the diplomatic ministerial level, by Secretary Siazon.

Now, in the terms of the proposal of Senator Maceda, I tell you, it is easy for the big countries, advanced countries with well established economies with high per capita incomes to do what they are doing in terms of stopping business between their countries and France, although we are not seeing all countries which have advanced economies stopping their businesses with France.

I said that [words indistinct] that the proposal will have to be reviewed by our secretary of labor and employment, by secretary of trade and industry, by our National Economic Development Authority, since they have to act on our people's interest, in behalf of their interest. I think we have also sent our message very, very strongly. We need not hurt employment, investment, trade, tourism in signalling our protest.

[Buenavista] How about, sir, the RP [Republic of the Philippines]-France (defense) treaty [words indistinct]?

[Ramos] It is not a defense treaty per se. It is a defense cooperation treaty which is [word indistinct] again the production of defense equipment. It is not a military alliance. That would again involve jobs, investments and trade, and nothing much has come out of it yet. [passage omitted]

Government, MNLF Negotiators Make Progress

BK0208163795 Manila MANILA BULLETIN in English 31 Jul 95 pp 1, 21

[Report by Cena B. de Guzman]

[FBIS Transcribed Text] General Santos City — The government panel and the Moro National Liberation Front (MNLF) reached an agreement in the fields of administration, representation, and security force during the recently concluded sixth round of the mixed committee meeting.

Interior and Local Government Undersecretary Alexander Aguirre, who heads the committee on administrative system, representation, and legislative assembly, said the talks "had good results," but "there are still some issues that have to be taken up like the issues on provisional government and Shari'a Law."

In an interview, Aguirre said that with respect to administration, it was agreed upon that "the president of the Republic of the Philippines shall exercise his power of supervision over the local government units in the area of autonomy through the head of the regional autonomous government."

"The regional legislative assembly shall have also the power to enact its own local government code and administrative code for application in the area of autonomy in accordance with accepted standard without diminishing, in any way, the powers of the existing local government unit," Aguirre said.

Aguirre explained that the powers of the province, cities, and towns within the area of autonomy should not be diminished.

"It was agreed upon that it shall be the policy at the national government to give due representation of the autonomous region in the Cabinet by having at least one Cabinet member," Aguirre stated.

With regard to the regional security force in the autonomous region, Aguirre disclosed that both panels agreed that the "regional security force should be civilian in character, should be regional in scope of operations, and will be consisting of the existing Philippine National Police (PNP) units and elements on the area of autonomy in accordance with their individual qualifications."

"The regional force is generic. It means, they are the police in the area and that the regional force shall be under the operational supervision of the head of the regional autonomous government," Aguirre added.

The issue on the provisional government, he said, was not resolved during the meeting, including the Shari'a Law or the Islamic Law, and these will be taken up in Jakarta, Indonesia, in October for the third and final round of peace negotiations.

Hint

General Santos City — A Moro rebel leader hinted yesterday that the Moro National Liberation Front (MNLF) may soon accede to the government's condition to bring the peace pact to "constitutional processes."

"Once a final agreement is reached, it's up to the government to implement it even through constitutional process," said Protestant pastor Rev. Absalon Cerveza, MNLF chair on administrative system and legislative and executive council.

Cerveza's statement could mean a breakthrough in the obvious stand-off between the government and the MNLF peace panels, which clashed in views on establishing a provisional government and an expanded autonomous government prior to a plebiscite.

It also gained support from Gov. Liningding Pangandaman of the Autonomous Region in Muslim Mindanao (ARMM) who welcomed Cerveza's pronouncement and allayed fears of apprehension in the ongoing peace talks.

"At this stage, there is no serious ground for apprehension as long as the government panel stood pat on constitutional safeguards," said Pangandaman, vice chairman of the GRP [Government of the Republic of the Philippines] panel which forged the 1976 Tripoli Agreement in Libya.

The present ARMM covers the provinces of Maguindanao, Lanao del Sur, and the island provinces of Sulu and Tawi-Tawi, while the Tripoli Agreement provides for the jurisdiction of 13 provinces and 9 cities in Mindanao.

Cerveza clarified that the Tripoli Agreement mandated the organization of the mixed committee to draft the final agreement before a provisional government is formed by the president of the Philippines.

"The ball will be with the government once a final peace agreement is signed... and President Ramos, as provided in the Tripoli Agreement, is mandated to form the provisional government and appoint its officials through constitutional processes," Cerveza stressed.

Dr. Hassan Wirajuda, in a press communique, said the mixed committee is now "winding up its work as it reached consensus in almost all issues on education, finance, economy, defense, Shariah Court and administrative system, and legislative and executive councils.

The sixth and final meeting of the mixed committee was held July 26-28 at Sydney Hotel here.

It was attended by Indonesian Ambassador Pieter Damanki, Libyan Ambassador Rajab Azzarouq, Ambassador Mohammad Mohsin and Dr. Ali Mustapha Zwawi, presenting OIC [Organization of the Islamic Conference] Secretary-General Dr. Hamid Algabid, and OIC Cease-fire Observer Team headed by Brig. Gen. Asmardi Arbi.

Both the GRP and MNLF panels headed by former Ambassador Manuel Yan and Nur Misuari, respectively, in their closing statements, foresee that a final agreement will be signed during the forthcoming third round of formal peace talks in Jakarta, Indonesia, in October, this year.

Thailand

ASEAN Focus on Economic Cooperation Urged

BK0208153795 Bangkok THAI RAT in Thai
2 Aug 95 p 2

[Editorial: "Future of ASEAN"]

[FBIS Translated Text] Southeast Asian nations formed a nonpolitical group, the Association of Southeast Nations (ASEAN), 38 years ago to enhance economic cooperation. Then, they hoped their group would bring together all 10 Southeast Asian countries but only Thailand, Malaysia, Singapore, Indonesia, and the Philippines joined, while the socialist group of countries declined.

As cooperation among the five countries proved beneficial, Brunei subsequently joined as the sixth ASEAN member. Moreover, ASEAN has gained greater world recognition. This is shown by the fact that reports produced by the United Nations, the EU, World Bank, Asian Development Bank, and other major countries always contain a specific chapter on ASEAN.

The world's awareness of ASEAN has increased after the war in Indochina. The remarkable economic growth of Singapore, Malaysia, Indonesia, and Thailand has startled the world, causing Vietnam, Burma, Cambodia, and Laos to realize the value of joining ASEAN and subsequently to attend ASEAN meetings as observers. Vietnam eventually joined as the seventh official ASEAN member at the ASEAN meeting in Brunei on 28 July.

Vietnam's membership of ASEAN has in one way or another made Burma, Laos, and Cambodia more eager to become ASEAN members despite their earlier reservation and their inferior economies compared to other ASEAN nations. They are certain that with the available economic benefits and political spin-offs that it is better be members.

This situation leads one to project that ASEAN will have ten members by 1997, the 40th ASEAN anniversary, transforming ASEAN into the biggest economic grouping in the world. It will be even bigger than the EU, and will have a population of more than 350 million with a purchasing power that will continue to grow.

The most important issue that the ASEAN countries together should be aware of is that free trade regulations of the World Trade Organization, whose administration is under the control of economic superpowers, will strive for quick market access in ASEAN and, therefore, speeding up the establishment of the ASEAN Free Trade Area to bring benefits to the region more rapidly and enable ASEAN to be more prepared to cope with the competition from the EU and other trade blocs.

We want to remind ASEAN that for the sake of progress it should concentrate on economic cooperation. Any effort by new ASEAN members which have political problems with neighboring countries to try to use ASEAN as a bloc to enhance its clout should be treated by ASEAN with utmost care so as to avoid weakened unity and the decline of the association.

ARF Urged To Warn China About 'Good Behavior'

BK0208101995 Bangkok THAILAND TIMES in English 2 Aug 95 p A4

[Editorial: "China Must Wake Up to ASEAN Reality"]

[FBIS Transcribed Text] Attempts will be made at the Brunei ASEAN Regional Forum (ARF) to further extend to the wider Asia-Pacific region, the "confidence-building" approach to security that has been used with great success in Southeast Asia recently.

Meanwhile, economic growth and its consequences are having a dampening effect on intra-regional tensions. The shared perception that growth leads to prosperity, generates stability and security also makes possible an enhanced military budgets. Many countries in Southeast Asia have been active in developing their military capabilities. In spite of the soothing effects of economic growth in the region, there remain a number of potentially serious regional flashpoints. The Spratly Islands is one.

Multilateral security dialogues within the ARF would serve as a safety valve for airing regional complaints before they escalate into full blown conflicts. In the economic dimension, U.S. officials demonstrated at the 1994 Bangkok meeting that the most effective policy Asian states could follow to ensure the maintenance of a U.S. military presence would be to open Asian markets further to U.S. exports.

Nevertheless, the American drive to "sell the notion of trade for security" may be partially offset by U.S. insistence on democracy and human rights. The unending acrimonious debate with China and Japan over Most Favored Nations (MFN) status, criticism of Indonesia over East Timor, and of labor welfare with Thailand and Malaysia, have elicited concern throughout the region about U.S. reliability and political pressure. Added to this unreliability is the U.S. fear of body bags returning home.

As a first step towards regional security the year-old ARF under the auspices of ASEAN appears to be moving towards building a "classical balance of power" in the region. As the first forum to encompass most of the Southeast Asian states and include the U.S., European Union, China, Japan, Russia, Canada, Australia, New Zealand, Papua New Guinea, along with ASEAN observers, a good measure of "confidence-building" has been underway.

Although the ARF may over time develop into an overall security forum, it is likely that sub-regional groupings may emerge to deal with specific regional problems and conflicts. These groupings may or may not operate under the framework of the ARF according to some ASEAN sources. But they argue the prime purpose of the ARF meeting in Bangkok last year and now in Brunei will be to make new members of the forum, and ASEAN dialogue-partners, especially China, feel comfortable.

Beijing's claim to control much of the South China Sea, including portions of Southeast Asia, and its intervention last year on behalf of its overseas Chinese community in Indonesia during the anti- Chinese riots there are some examples of how confidence-building between ASEAN and China has become necessary. That purpose will not be served by a single annual meeting at ministerial level consisting of no more than a series of bland statements by the 18 participating countries. Such an exercise might make China feel comfortable, but burying contentious issues will do little for regional security. It could undermine stability by encouraging a false sense of achievement.

We must not forget that the ARF was established largely to engage China more effectively in maintaining peace and stability in the Asia-Pacific region. If this first phase and the result of efforts to encourage China to continue its outward-looking economic policies are a success, then we are on the right track.

The second phase of ARF's development should be to make the ARF as envisaged a regional institution for arms control and eventual disarmament. These efforts will not be without challenges.

If the ASEAN Regional Forum is to educate China that it is in its own interest to maintain Asian security and peace, stemming from U.S. unreliability, then China should be told bluntly that good behavior is essential for regional economic cooperation and development. But it seems the ARF in Brunei is not ready to convey that important message.

Clinton Letter to Chuan Termed Slap at Banhan

BK0308025095 Bangkok BANGKOK POST in English 3 Aug 95 p 3

[FBIS Transcribed Text] U.S. President Bill Clinton's personal letter to former premier Chuan Likphai is regarded as a slap in the face for Prime Minister Banhan Sinlapa-acha who has received no message of congratulations for winning the election.

Government spokesman and Chat Thai MP [member of parliament] from Ang Thong Somsak Pritsananthakun said Tuesday's visit by outgoing U.S. Ambassador David Lambertson to Mr Chuan's Democrat Party headquarters could be interpreted as a snub against Mr Banhan.

He said the fact the U.S. ambassador had presented Mr Chuan with a personal message from President Clinton made it look like a "slap in the face" to the present Thai prime minister.

He acknowledged, however, that there is nothing unusual about the letter of commiseration because President Clinton and Mr Chuan had enjoyed a good relationship over the past two and a half years with former foreign minister Surin Phitsuwan as a liaison.

But the government spokesman could not suppress his doubt as to why the U.S. ambassador did not meet Mr Banhan who is the present government leader.

"It is normal that a message of regret was sent to Mr Chuan who left office before the four-year term finished," said Mr Somsak.

"But it came as a surprise that no message of congratulations was sent to Mr Banhan.

"It could be because the ambassador had already met with the new foreign minister," he said.

Mr Somsak said if that is the case then the new U.S. ambassador might not need to meet Mr Banhan, adding that no such meeting had been scheduled.

He told reporters that the GSP [Generalized System of Preferences] the U.S. granted back to Thailand came as a result of Mr Chuan's efforts, and promised a continued effort by the new government to the international commitment.

"The new government will need some time to strengthen its relationship with the U.S.," he said.

Army Chief to Academics: 'Back Off'

BK0108095395 Bangkok THE NATION in English 1 Aug 95 p A3

[FBIS Transcribed Text] Army chief Gen Wimon Wongwanit, continuing to defend the resurgence of ex-strongman Chainarong Nunphakdi, yesterday told academics to back off from criticising the military reshuffle and mind their own business.

Wimon questioned the word "image" used by many academics to tackle the promotions of some notorious army figures in the annual reshuffle.

He said that a merit system formed the basis of the military administration strategy dealing with reshuffles of personnel.

It was wrong for the promotions to be reversed because of criticisms made by the media or academics over the "bad image" of some military men.

"We need to have integrity. We cannot simply change because of the criticisms. It's impossible," Wimon said.

He said references to "image" needed to be scrutinized to see who was right and who was wrong.

The promotions of officers linked to the 1992 bloody May crackdown before Wimon's mandatory retirement in September have been criticised by such renowned academics as Thirayut Bunmi.

"Who is this Achan Thirayut? Is he my boss? How would he know the facts, he was not in the Army," he said.

He said Thirayut might believe what the media reported as fact, but he would like the academic to mind his own business.

He warned the media about taking up the issue and playing up the message in the distributed leaflets which questioned his judgement, as this could cause a misunderstanding.

He said the leaflets did not attack the Army and could have been written by anyone.

An Army source yesterday revealed that the military reshuffle had been concluded and that Gen Chainarong, the First Region commander during the May, 1992 riots, had been promoted to chief of staff.

Gen Chettha Thanacharo, an assistant Army commander in chief, retained his position while Gen Thawan Sawangphan is being promoted to the same rank.

The source said the Army panel responsible for the reshuffle is comprised of only three officers, including Wimon.

Also on the panel is the deputy Army chief, Gen Phaibun Emphan, who will replace Wimon after his retirement and Gen Suthep Siwara, the present chief of staff, who has been promoted to the deputy Army chief.

Defense Minister Pledges Fair Military Reshuffle

BK0308052695 Bangkok BANGKOK POST in English 3 Aug 95 p 3

[FBIS Transcribed Text] The annual military reshuffle in September will be "just", according to Defence Minister Chawalit Yongchaiyut.

"Military officers must secure a fair reshuffle themselves; other powers will not influence it," he said.

However, since he is in charge, Gen [General] Chawalit will ask officials to justify reshuffle lists if anybody gets unusually quick promotion.

The minister said he will intervene only to guarantee the probity of the reshuffle. Anything more than this would constitute interference.

Commanders of the armed forces, the supreme commander and the defence permanent secretary are trusted to scrutinise the reshuffle lists, Gen Chawalit said.

There is speculation that Gen Chainarong Nunphakdi will be promoted from chief of staff officers attached to the army chief-of-staff.

Armed Forces Asked To 'Urgently' Review Budget

BK0308054095 Bangkok BANGKOK POST in English 3 Aug 95 p 3

[FBIS Transcribed Text] The three armed forces and Supreme Command Headquarters have been asked to review their budgets urgently following a cabinet decision to add 11 billion baht to the 1996 budget, according to a source at the Defence Ministry.

The 1996 budget of 832,200 million baht, fixed by the previous government, was on Monday approved to be increased to 843,200 million baht.

Defence Minister Chawalit Yongchaiyut yesterday called a special meeting with Deputy Supreme Commander Adm [Admiral] Prida Kannasut, Navy Chief Adm Prachet Siridet, Air Force Chief ACM [Air Chief Marshal] M.R. Siriphong Thongyai, Army Deputy Chief Gen [General] Phaibun Emphan and representatives of the audit agencies of all armed forces.

Absent from the meeting were Supreme Commander Gen Watthanachai Wutthisiri and Army Chief Gen Wimon Wongwanit, who are on an overseas trip.

After a three-hour discussion, Gen Chawalit disclosed that the new government budget was discussed with the agencies concerned, adding there will need to be some adjustments in the military budgets to bring them into line with government policy.

To avoid harming military plans and projects, the budget allocations to the three armed forces and Supreme Command office must be reviewed, Gen Chawalit said.

The allocations for projects would be either reduced or increased depending on the necessity of each project, he said.

Gen Chawalit said the new budget proposals from all armed forces are expected to be forwarded to the Budget Bureau on August 8.

On the 11,000 million baht increase of the 1996 budget Gen Chawalit said it has yet to decide how much more his ministry will be allocated in another round of cabinet meetings.

Banhan Chided for Reversal on Political Reform

BK0308052495 Bangkok BANGKOK POST in English 3 Aug 95 p 4

[Editorial: "Appalling Backtrack on Political Reform"]

[FBIS Transcribed Text] Democracy Development Committee chairman Dr Prawet Wasi is, indeed, a decent gentleman who seems to have a clear understanding of the true nature and limitations of our politicians. While his peers may have poured scorn on the politicians for their about-face over political reform, he is too polite to criticise them outright. Mai pen rai [that's all right], he said, explaining that at least the pre-election pledges of political reform made by politicians, especially those of the coalition parties, have aroused widespread public interest in the issue. Although this remark may not sound like a compliment, it constitutes an admission of a harsh fact of political life — that one should not take the words of a politician too seriously.

Political reform was a popular campaign issue raised by several political parties, including the Chat Thai Party, to woo the electorate. Even Prime Minister Banhan Sinlapa-acha jumped on the bandwagon by pledging to support the political reforms advocated by the Democracy Development Committee (DDC). But critics have expressed doubt that Mr Banhan ever studied full details of the DDC's proposed political reforms before he made his pre-election pledge in support of them, otherwise he would have had second thoughts as he now appears to be doing.

With an election already over and, with it, the need to beg for votes, the issue now seems to be an unwelcome topic that the Chat Thai and other coalition parties are doing their best to shun, if that is possible. And even if it was raised for discussion at all, it was done so apparently with great reluctance.

The Democracy Development Committee has proposed amendment of Article 211 of the Constitution as the starting point of political reform. It advocated the setting up of a special constitution drafting panel which is made up of three former prime ministers to be appointed by the King and between 10-15 members who are specialised in legal affairs and political science. The political reform proposed by the DDC seeks to overhaul the entire political system with the objective of creating a sense of political honesty and promoting political efficiency and getting rid of all forms of irregularities.

Despite its idealistic goals and good intentions, the proposed sweeping political changes appear to be too much to be accepted by most MPs in the coalition and the conservatives in the Senate. Indications are that the Government, fearing a split among its own ranks and an uproar from the Senate, may dump the committee's proposed package entirely. Instead, a committee comprising representatives from all sectors, including non-governmental organisations, pro-democracy groups and the Senate, will be formed to draw up a master plan for political development. In a way, what the Government has suggested is that it prefers to start the exercise all over again from zero even though this will take more time. Who knows, it could even take years.

It is incomprehensible why the process will have to start from scratch all over again. The only assumption that can be made is that there is no genuine intention on the part of the Government to attempt political reform apart from the desire to make a gesture just to show that it had not broken its pledge for reform.

Prime Minister Banhan's appointment of some of his Cabinet ministers has been a disappointment to many voters. But it looks as if he has failed to realise the impact of the mistake and is apparently embarking on another erroneous course of action to subject the electorate to further insult. The fact that the Democracy Development Committee was set up by the previous administration should not be an excuse to reject its painstaking work. Several members who sit on the committee are well known for their high integrity and sincerity towards the country. As such, its advocacy should not be viewed with suspicion or bias. If not accepted in its entirety, the committee's proposals should, at least, serve as a guideline for the Government to start with. At the very least it shows the direction of political reform in which this country should be heading. Most important of all, deliberation of political reform is a process that must involve all parties concerned without which real reform will not be realised.

Ten Parties Receive House Chairmanships

BK0308053695 Bangkok BANGKOK POST in English 3 Aug 95 p 3

[FBIS Transcribed Text] The chairs of the 23 House committees were distributed among 10 political parties yesterday.

The parties had difficulty agreeing on the method of choosing committee members, the Social Action Party insisting that two committees be picked at a time, and other parties agreeing to select one at a time.

Social Action MP [member of parliament] for Ayutthaya Phong-udom Trisukhi did not supply any reason for his party's demand.

Chamni Sakdiset, a Democrat MP for Nakhon Si Thammarat, said he did not understand why Social Action, which has a quota entitling it to chair only one committee, wanted to select two committees at a time.

MPs of other parties took turns trying to persuade Phong-udom to change his mind, but to no avail.

They later agreed that Social Action should consult other government parties in order to reach a conclusion.

The meeting was then called off. It was resumed in the evening, but there was some dissatisfaction among opposition parties.

Social Action leader Montri Phongphanit eventually gave in and agreed to select one at a time, after certain Chat Thai figures gave an assurance that any party holding the chair of the House Agriculture Committee would support the operations of the Agriculture and Cooperatives Ministry.

As Agriculture and Cooperatives Minister, Montri wanted his party to chair the House Agriculture Committee, to ensure smooth operations.

A Chat Phatthana MP for Chanthaburi, Prawat Uttamot, pointed out that the Government will always be at an advantage when it comes to voting in the House committees, since it has 10 out of 17 representatives on each committee.

The chairs were agreed as follows:

— Chat Thai, six committees: Local Administration, Tourism, House Affairs, Military Affairs (which may be exchanged with New Aspiration), Follow-up on the Implementation of House Resolutions, and Revelation of House Meeting Reports.

— The Democrats, five committees: Finance, Justice and Human Rights, Education and Religion, Art and Culture, and Youth, Women and the Elderly.

— New Aspiration, three committees: Labour and Social Welfare (may be chaired by Phichit MP Phaithun Kaeothong or Ubon Ratchathani MP Surasak Thiamprasoet), Transport and Communications (may be chaired by Udon Thani MP Chaloemphon Sanitwongchai or Phetchabun MP Kaeo Buasuwan), and Science and Technology (may be exchanged with the Solidarity Party's House Committee on Economic Affairs). Chaturon Chaisaeng (Chachoengsao) may chair the House Economics Committee.

— Chart Phatthana, three committees: Agriculture and Cooperatives (may be chaired by Nakhon Ratchasima MP Kon Thappharangsi), Foreign Affairs (may be chaired by party leader Chatchai Chunhawan), and Energy Affairs (may be chaired by Nakhon Ratchasima MP Suwat Liptaphanlop).

— Social Action: Public Health (may be chaired by Surin MP Aram Ammaradit).

— Seritham: Follow-up on Budget Expenditure (may be chaired by party spokesman Sumet Phromphanhao).

— Solidarity: Economic Affairs (may be chaired by Chiang Rai MP Natthawat Muttamara; may be exchanged with New Aspiration's House Committee on Science and Technology).

— Phalang Tham: Industry (may be chaired by Bangkok MP Seri Phatthanaphanchai).

— Nam Thai: Sport (may be chaired by Chiang Mai MP Amnuai Yotsuk).

— Prachakon Thai: Environment (may be chaired by Bangkok 3 MP Suwat Wannasirikun).

Muan Chon, which has only three MPs, did not receive a chair.

FTI Urges More Support for Private Sector

BK0108103195 Bangkok BUSINESS DAY in English 1 Aug 95 p 3

[FBIS Transcribed Text] The Federation of Thai Industries (FTI) said better than expected exports helped boost Thailand's industrial performance during the first half of 1995, which in turn created a sense of confidence in the state of the Thai economy.

In its semi-annual report on the state of the nation's industrial sector the FTI said that despite these achievements, the government should increasingly support the private sector in order for the economy to advance further.

"Co-operation between the government and the private sector is a matter of utmost urgency in order to meet the challenges posed by current world economic conditions," the report said.

The FTI report also indicated that the agency's major tasks during the first half of this year entailed finding solutions to existing problems in industrial development.

This could be achieved, the report said, by a joint effort to expand industrial activities in provincial areas in order to promote private sector development in rural areas, and improving the FTI's internal administration.

The report also indicated that financial services in rural areas must be expanded.

Thailand's industry will continue to expand during the second half of the year, the FTI report said, adding that the growth will be spearheaded by exports which had risen to more than 620 billion baht during the first half of this year.

It said that export growth would continue in the second half of the year.

The report said tax reforms must "address the matter of tariffs on raw materials which are needed for production being higher than tariffs on finished products."

It added that although tariff rates for industrial raw materials have declined, this has not been sufficient to decrease the cost of initial capital.

Labor shortage remains a serious problem which has resulted in higher labor costs, the report said, necessitating an urgent need to rectify the situation by implementing policies on human resource development, while keeping in mind that productivity must be increased.

The FTI also stated that a foundation for industrial development may be pursued by implementing confidence-building measures for investors are needed in order to promote a continuous flow of investments.

Other major issues of industrial development include the effects of industrialization on the environment, meeting ISO 9000 standards and product liability laws.

Commerce Minister, PRC Discuss Countertrade

BK3107134295 Bangkok Radio Thailand Network in English 0000 GMT 31 Jul 95

[FBIS Transcribed Text] Commerce Minister Chuchip Hansawat said the countertrade system between Thailand and China was raised for discussion when the Chinese trade mission recently called on him. Mr. Chuchip said he told the Chinese mission to propose the products and value for the countertrade. This is because all products to be internationally traded must comply to the World Trade Organization's agreement. He said although Thailand had opened up its markets and adopted trade liberalization, it must follow the regulations laid down by the World Trade Organization, WTO. Thailand is a member of the WTO, while China is not.

On the U.S. ruling on an anti-dumping case against Thai pineapple export, Mr. Chuchip said he had learned that the Thai pineapple industry planned to protest against the U.S. on the issue. The minister stressed that the move would not be against the WTO agreement. However, he said the government could solve this problem by seeking new markets for Thai pineapple exports. He said the problem was not severe as the domestic pineapple prices are now at a satisfactory level.

Vietnam

Soldier's Role in Downing U.S. Aircraft Viewed

BK0208111895 Hanoi Voice of Vietnam Network in Vietnamese 2330 GMT 1 Aug 95

["Story" by Nguyen Duc Toan — first paragraph is station introduction]

[FBIS Translated Excerpt] This story about a hero of the Ha Long Air Rocket Group from Thanh Hoa will help us further understand the courage and intelligence of the air rocket soldiers during the anti-American war. [passage omitted on background of "hero" Le Hong Thinh]

From 1965 to 1967 — fierce years of fighting for the air defense troops against the war of sabotage by the U.S. Air Force — Le Hong Thinh engaged in direct combat as a rocket officer 23 times. He fought on the battlefields of Quang Ninh, Hanoi, Ha Tay, Nam Ha, and the Fourth Military Region.

During these two years, Le Hong Thinh bravely and intelligently won outstanding victories. In a fight in La Khe, Quang Yen, Quang Ninh on 5 October 1965, he calmly worked with other soldiers to fire rockets and shoot down three U.S. aircraft on the spot. In a fight in Hung Dung, Nghe An, he shot down two AD-6 aircraft on the spot — the 99th and 100th aircraft shot down in Vinh City. On 10 May 1967, he shot down another two aircraft — the 100th and 101st aircraft shot down in Vinh Linh.

Le Hong Thinh, along with the fighting group of the 81st Battalion, shot down 17 U.S. aircraft, including 13 on the spot. The 81st Battalion was decorated as a heroic unit of the People's Armed Forces. [passage omitted on Le Hong Thinh's fine personal characteristics]

Do Muoi Continues Tour of Australia

Agreements Signed

BK0308021495 Hanoi Voice of Vietnam in English 1000 GMT 2 Aug 95

[FBIS Transcribed Text] Vietnamese party General Secretary Do Muoi has visited dairy farms near Melbourne in his current tour of Australia. He visited the Gippsland area in the state of Victoria, famous for its dairy herd.

Meanwhile, Deputy Prime Minister Phan Van Khai, also in Australia, visited the BHP steelworks.

Vietnam and Australia signed two more agreements in addition to the deal on bridge building and air services. The two agreements concern Australia's preferential credit for telecommunications, railway, and water projects and an overall study for the development of the key communications of Ho Chi Minh City, Ba Ria-Vung Tau, and Dong Nai Provinces.

Visits Multinational Firms

BK0308021895 Hanoi VNA in English 1548 GMT 2 Aug 95

[FBIS Transcribed Text] Hanoi VNA Aug.2 — General Secretary Do Muoi of the Communist Party of Vietnam on Wednesday continued a week-long official visit to Australia with a tour of the Australian telecommunication group's Telstra Research Laboratories and BHP [Broken Hill Proprietary] Group in Melbourne.

Mr. Charlie Zoi, director general of Telstra showed the Vietnamese guests around the research centre. Hosts and guests exchanged views on the prospects of cooperation in the field of telecommunication between the two countries.

At the headquarters of the BHP group, the Vietnamese leader spoke highly of BHP's increased cooperation with and investment in Vietnam. He said he hoped that BHP, through these established relations, would share experience and help train Vietnamese echnical and managerial personnel, particularly in the oil and steel industries.

BHP is engaging in a joint venture to tap oil and gas in the Dai Hung (Big Bear) oil field offshore southern Vietnam. Apart from the BHP-invested rolling steel mill in Bien Hoa, which was operational in 1994, BHP has been licensed to build another steel mill in Ha Tay province to the west of Hanoi.

This afternoon party leader Do Muoi met with a number of Australian activists who have supported Vietnam's struggle for national liberation, and representatives of the Vietnamese community in Victoria. He briefed them about the country's situation, its achievements and the socio-economic plan in the years to come.

In the evening, Mr. J. Kennett, the premier of Victoria, gave a banquet in honour of party General Secretary Do Muoi and his entourage.

Deputy Premier Attends Seminar in Melbourne

BK0308022095 Hanoi VNA in English
1548 GMT 2 Aug 95

[FBIS Transcribed Text] Hanoi VNA August 2 — An economic seminar between Vietnam and Australia was held today in Melbourne in the Victoria state with the participation of 20 Vietnamese and more than 50 Australian business persons including those from some Australian leading companies and investors in Vietnam.

The seminar was also attended by Deputy Prime Minister Phan Van Khai, and Chairman of the State Committee for Cooperation and Investment Dau Ngoc Xuan. On the Australian side were Senator Chris Schacht, minister for small business, customs and construction, and other senior government officials.

In his opening speech, Mr. Schacht affirmed the Australian businesses' readiness to set up a long-term cooperation with Vietnam without any special priorities for the interests of the two countries.

Speaking at the event, Deputy Prime Minister Khai welcomed the goodwill of the Australian Government and investors, and expressed his belief that the success of the visit to Australia by party leader Mr. Do Muoi would create new opportunities, thus making the cooperation between the two countries further developed.

Program Funded by Czech Republic, Slovakia Viewed

BK0208163495 Hanoi VIETNAM INVESTMENT REVIEW in English 10-16 Jul 95 p 11

[Report by Xuan Minh]

[FBIS Transcribed Text] After two years progress the Czech-Vietnamese job development program funded by the governments of the Czech and Slovak Republics has lent 78 billion dong (US$7.1 million) to around 780 projects, creating jobs for more than 23,000 people, of which over 4,000 are laborers who returned to Vietnam from former Czechoslovakia.

The total grant for the program is US$14 million, of which 75 percent is assigned for credit loans, 20 percent for training and five percent for program management. Hai Hung province has borrowed the largest amount of capital from the program so far, over 12 billion dong to implement 157 projects, creating jobs for over 4,200 people. Nghe An province is next in line, having borrowed capital totalling 9.8 billion dong for 83 projects, creating employment for more than 2,500 laborers. Nam Ha province has borrowed around 7 billion dong for 63 projects, attracting over 2,200 employees.

Most of the projects are focused on developing traditional industries such as production of construction materials, processing agricultural products and food stuffs, garment making and poultry raising.

Together with the credit lending activities, training courses in management, business, and production have been held regularly in different provinces. So far, around 3 billion dong has been invested in such activities.

On a recent tour of the active projects, Lubomir Frebort, representative for the Czech Government, expressed his satisfaction about the practical results brought about by the program.

Cambodia Working Group Holds Second Meeting

BK0108053295 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 31 Jul 95

[FBIS Translated Text] The Vietnam-Cambodia specialist working group held its second round meeting in Hanoi on 28-29 July to discuss issues related to Vietnamese nationals in Cambodia.

The meeting proceeded in an atmosphere of frankness, friendship, and mutual understanding. Both sides unanimously agreed on measures to settle the number of Vietnamese refugees in (Chedi Thom) and agreed to continue discussing other issues.

Both sides agreed to convene the next meeting in October 1995 in Phnom Penh.

On 29 July, Mr. Nguyen Ngoc Tran, chairman of the Overseas Vietnamese Committee cordially received the Vietnam-Cambodia working group.

Vo Van Kiet Meets With Regional Officials

BK0208022195 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 31 Jul 95

[Report by Dinh Khai]

[FBIS Translated Text] The prime minister held meetings with the chairmen of people's committees of central region coastal provinces from Quang Binh to Phu Yen from 29-31 July at Danang City. This is a continuation of the mid-year meeting program with provincial and major economic zone authorities. The prime minister and people's committees chairmen discussed the implementation of state affairs and the budget for the first six months of the year, measures to speed up the fulfillment of state plans for the next six months, the antismuggling drive, and the site clearance and construction plan for National Route 1-A from Vinh City to Nha Trang.

Delegates agreed with the government assessment that in the first six months of the year, the socioeconomic situation in central region coastal provinces has had some improvements. Agricultural harvests were good, especially in the southern provinces of the former Khu Bon [fourth region] which had record harvests. Industrial production and exports had increased; the tourism and services sectors were bouyant; and external economic activity, especially attracting foreign investment, had accelerated. Security, national defense, and social tasks had also consolidated and strengthened.

However, like other provinces, the coastal provinces of the central region had failed to fulfill the state plan in state revenue collection and spending, capital construction, price regulation, antismuggling, and so forth. The people's committees chairmen raised many suggestions for the fulfillment of 1995 state plans and preparations for the 1996 and the 1996-2000 five-year state programs. Special attention was paid on the need for extensive revenue collection, tight control in budget collection and spending, antismuggling, the sound management for capital construction projects, price stability maintenance, the advancement of reform programs on vegetation and animal husbandry, preparation and prevention of natural disasters, and preparations to heighten the local capacity to absorb foreign investment.

Prime Minister Vo Van Kiet and Deputy Prime Minister Tran Duc Luong addressed the meetings. Prime Minister Vo Van Kiet expressed his delight at the positive socioeconomic changes taking place in the coastal provinces in tandem with the country's advancement as a whole. He reminded authorities of the need to industrialize the region, and that they should have plans to exploit to the highest level their own resources to contribute to the general development of the country.

The prime minister particularly demanded that the chairmen of the provinces cultivate a deep awareness of their role in state management so as to perform their duties well.

Vo Van Kiet Meets With Provincial Leaders

BK0208110795 Hanoi VNA in English
0643 GMT 2 Aug 95

[FBIS Transcribed Text] Hanoi VNA August 2 — Prime Minister Vo Van Kiet has had working sessions with authorities of the central highlands province of Lam Dong and the central coastal province of Quang Ngai on their 1995 socio-economic situation and direction for development to the end of this century.

In Lam Dong, the prime minister heard the local authorities' reports on the implementation of its socio-economic tasks in the first six months of this year and its development direction until the year 2000 and a project on the construction of the Suoi Vang tourist area. He called at the Dalat Atomic Research Institute and Dalat University.

He hailed efforts made by the local people and authorities to push up the development of the province in line with the common growth trend of the whole country. He encouraged them to make full use of the province's potentials in natural resources and climate, giving particular attention to agriculture, forestry, tourism development. He asked the provincial authorities to quickly re-establish orders in urban development to preserve the province's famed tourist scenery.

In Quang Ngai, Mr. Kiet worked with provincial leaders and made field trips to the projected Van Tuong and Dung Quat industrial zones and the Quang Ngai Sugar Company.

Quang Ngai has advantages in agriculture development, especially sugar canes and some subsidary food crops.

With projects to develop Van Tuong and Dung Quat industrial zones in the future, the province would enjoy favourable conditions for a rapid growth. The prime minister recommended several socio-economic development directious for the province in the 1996-2000 period. He stressed that while developing industry, the province has to maintain its arable land for agriculture production.

Deputy Prime Minister Meets Chinese Delegation

BK0208054995 Hanoi VNA in English
1507 GMT 1 Aug 95

[FBIS Transcribed Text] Hanoi VNA August 1st — Deputy Prime Minister [PM] Nguyen Khanh received here today a delegation of the State Nationalities Commission of China led by its deputy head Chen Hung.

At the reception, Mr. Hung said that the purpose of his delegation's visit was to exchange experience on minority ethnics works with Vietnam, that the two countries's minority ethnics accounted for 8 to 13 percent of the population and that the two governments have attached importance to minority ethnics policy in their national construction.

Deputy PM Khanh expressed his hope that the cooperative ties between the Vietnamese and Chinese State Nationalities Commissions would be strengthened to help their states work out better policies on minority ethnics.

Government Control of Enterprises Viewed

BK0208153995 Hanoi VIETNAM INVESTMENT REVIEW in English 10-16 Jul 95 p 12

[Report by Manh Hung]

[FBIS Transcribed Text] State control over enterprises will never be removed but will only change from a direct command system to indirect control through regulatory mechanisms and a legal framework, said Tran Xuan Gia, vice chairman of the State Planning Committee (SPC), at a recent workshop to assess responses by firms to the new economic environment.

The workshop reflected on a survey by the Planning Department of the SPC of 208 state-run firms. "For a long time many people have wrongly thought that a shift to the market economy means that the government will no longer take control of anything. Some people even think that state-owned enterprises (SOEs) operate only according to the signals of the market," Gia later told the VIETNAM INVESTMENT REVIEW.

"The Government supervises activities of all enterprises through enforcing laws. It can control the birth, the life and even the death of all enterprises," he said. "Enterprises must follow the masterplan for the development of the whole economy of the country. The government drives enterprises in the right direction not by imposing orders but by enforcing the laws."

Drawing on the survey, Gia said the main obstacles to development were poor infrastructure, a lengthy and complicated administrative system and finance and capital problems. "The current interest rate of 21-25 percent offered by the banks to enterprises is extremely high in comparison to the yearly five to seven percent growth rate of enterprises. On top of that there is inflation of over 10 percent," said Hoang Cong Thi, an official from the Ministry of Finance.

Enterprises have trouble repaying debt and at the same time maintaining production capital. The survey showed that most SOEs' directors and non-state enterprises' directors support the equitization of SOEs policy.

Gia said the lack of progress was due to several factors: "The first is that opinions about the matter of privatization are not unified. The second is carrying out the process: we still do not know exactly who to sell shares to and how to use money collected from shareholders. The third is disagreement between directors and workers in companies. In many companies, workers support the privatization but the director does not because he does not want to share company management with anyone.

"In other companies, a director wants it but the workers do not because their salaries will be cut once the company is equitized — that is when the government withdraws all the props it used to provide."

Government Clarifies Telecommunications Policy

BK0208154195 Hanoi VIETNAM INVESTMENT REVIEW in English 10-16 Jul 95 p 3

[FBIS Transcribed Text] The VIETNAM INVESTMENT REVIEW story, "Military Breaks Phone Monopoly" (VIETNAM INVESTMENT REVIEW No. 193, page 1), was not in accordance with the government's stated policy on telecommunications. VIETNAM INVESTMENT REVIEW regrets any error or misunderstanding.

The official opinion of the Government Office is as follows:

"In accordance with the petition from the Defense Ministry and with the consent of the General Directorate of Post and Telecommunications (GDPT) and other concerned organizations at the meeting on 20 May 1995, the prime minister allows the Electronics Communication Equipment Company (Ministry of Defense) to add to its business activities new civil telecommunications and postal services (including doing business with foreign corporations but excluding cooperation in joint businesses with foreign firms in telecommunications) and to change its name into the Military Electronics Telecommunications Company.

"This is aimed at making a new company that, together with the Vietnam Post and Telecommunications Corporation (VNPT), can effectively exploit the civil telecommunications system. The new company is subject to state management concerning telecommunications and postal services by GDPT.

"The prime minister does not have any intention to authorize the Military Electronics Telecommunications Company to build a second independent telecommunications system in order to compete with the existing system managed by the VNPT. Telecommunications services of the new company is separate from the specialized network of the Defense Ministry."

Ho Chi Minh City Reports on New Party Members

BK0208103295 Hanoi NHAN DAN in Vietnamese 8 Jul 95 pp 1, 3

[FBIS Translated Text] During the first six months of this year, the Ho Chi Minh City party organization admitted 1,636 new members, or 87 percent of the number admitted in 1994 and 725 more than in the corresponding period last year. During the same period, seven ward and district party organizations and 16 basic party organizations admitted more party members than they did for all of 1994. They include party organizations of the 1st Precinct, Go Vap and Binh Chanh Districts, the Post Office, the City Agricultural Office, Water Conservation Construction Corporation No. 4, and the Import-Export Maritime Product Corporation.

Some 33.2 percent of basic party organizations in the city admitted new party members. Among the new members, 29 percent are women, 33.5 percent university graduates, and 57 percent volunteers to work in various populated areas . More than 50 percent of the new party members in Binh Chanh District are under 30 years old.

Currently, more than 5,000 people in the city have attended courses on party history. This is an encouraging sign for the city's party building task in the days ahead. The party building task in areas densely populated by production workers and laborers, however, has not been carried out properly.

Australia

Canberra-Washington Trade Relationship Viewed

BK3107163095 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 21 Jul 95 p 21

[Commentary by Michael Stutchbury: "McMullan Tries Egg-Head Tack on Trade"]

[FBIS Transcribed Text] When Primary Industries Minister and classical music buff, Bob Collins, came to Washington last month, he promptly bought a couple of dozen compact discs [CD].

It wasn't the most politic of spending sprees given Federal Cabinet's overturning of its previous decision to allow parallel importing of recorded music into the overpriced Australian market.

The decision restricted the supply of CDs to the too-young-to-vote kids of Australia—but did not hamper the ability of government ministers to enjoy preferential, taxpayer-funded access to the most competitive recorded music market in the world.

The Minister for Trade, Bob McMullan, says he did not buy any CDs on his trip to Washington this week. But, just as notably, neither did McMullan repeat Collins' warning that Washington would severely threaten Australia-US relations if it extended its subsidised farm exports to Australia's Asian markets.

Such warnings have been the staple of Australian trade diplomacy since the Americans started subsidising their grain exports in the mid-80's. In 1993, the then Trade Minister, Peter Cook, warned that US trade restrictions and export subsidies threatened the overall Australian-US "alliance".

Two years on, Australia's bilateral trade deficit with the US has surged to a record $10.2 billion and growing. Yet, this week in Washington, McMullan maintained that the US-Australia trade relationship was in "very good order", repeating Canberra's official findings that the bilateral trade gap is largely driven by "commercial logic" rather than US trade barriers. Speaking of the American market, McMullan said: "We accept that it is substantially a liberal, open trading economy and that we have had good opportunity with the rest of the world to sell into it over recent years."

McMullan even declined to tick off US Trade Representative Mickey Kantor for suggesting this week that the Australian-American trade relationship had "never been more balanced".

"I understand exactly what he meant and I think we are bilaterally operating in a very healthy and co-operative way," McMullan explained.

This toned-down rhetoric partly reflects McMullan's diplomatically sober and almost egg-head personal style, in contrast to the ex-trade union negotiator Cook, the boy-from-the-bush bluster of Collins and even the garrulousness of Foreign Affairs Minister Gareth Evans.

But it also reflects a change of Australian trade tactics towards Washington which belies predictions that, with the end of the Cold War, Washington's more strident approach to Australia's major markets in East Asia would rupture its relations with Canberra.

This does not mean that Australia is muffling its protests about US farm protectionism. McMullan yesterday said it was incomprehensible to anyone in Australia that the Americans could propose to waste their taxpayers' money by subsidising farm exports in a year of high wheat and dairy prices.

He said US consumers were paying "absurdly" high prices for many agricultural products because of domestic US farm protectionism. And, more clearly than Collins, he spelled out Australia's main fears for subsidised US farm exports — wheat into Indonesia and dairy products into the Philippines.

Yet, the Australian approach to US agricultural protectionism this year has been to provide coolly logical analytical ammunition for the domestic American debate over a new five-year US Farm Bill and the Republican push on Capitol Hill for a balanced Budget.

McMullan has also sought to broaden the bilateral trade agenda into manufactures and services. At this week's meeting under the US-Australia Trade and Investment Framework Arrangement, Kantor agreed to continuing bilateral talks on a new "market access check list".

Australia listed three priority areas under the check list: the ban on Australian high-speed catamaran passenger and car ferries from operating US coastal trade; regulatory barriers imposed by American State Governments to Australian exports of professional services, such as accountancy, law and finance; and US regulatory standards for manufactured products such as processed food, automotive parts, industrial chemicals and scientific and medical equipment. In turn Kantor listed American complaints over Australia's Foreign Investment Review Board.

"I think you'll see some new market opportunities for our manufacturers and our service providers, as well as our traditional concerns about agriculture, over the years ahead," McMullan suggested in heralding, perhaps prematurely, a "new plateau" for Australia-US trade relations.

Yes, the trans-Pacific glue of the Cold War has gone. But, instead of rupturing US-Australia relations, the rise of APEC [Asia-Pacific Economic Cooperation] has provided the rationale for a new trade partnership between Washington and Canberra.

As a middle-sized power, Australia can take the lead in APEC advocacy in areas where the threatening American superpower cannot. And, although smarting over unilateral American trade threats against East Asia, Canberra seems to have reassured Washington that Japan will not drop the ball at November's APEC leaders' summit in Osaka.

Ultimately, of course, the fate of this new trade conciliation between Canberra and Washington will depend on results. The defusing of the US-Japan car rowed helped. Now, Australia will need a solid result from the Osaka summit to keep the US engaged in APEC and to give Washington an alternative to divisive unilateral trade muscle.

And McMullan will need Australia's friends in Washington to ensure that the US does not extend its grain and dairy export subsidies into Asia.

U.S. Cited as Example of Effective Competition

BK3107133995 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 20 Jul 95 p 16

[Editorial: "Lessons For All From US Revival"]

[FBIS Transcribed Text] The United States economy is once again showing the way forward. Far from being overtaken by Japan or Germany, its vigorous efforts to reinvent itself in the face of economic globalisation has served to reassert US dominance.

In doing so, it has provided for Australia an example of what needs to be done in order to be able to compete effectively in a world of rapidly emerging economic challengers.

For while the US economy is a far from perfect example of competitive capitalism, the commitment with which corporate America has embraced the need for a structural revolution is a development that its Australian counterparts need to emulate — and the sooner the better.

This is true despite the fact that the changes that have swept through US business, in particular extensive downsizing and outsourcing, have generated substantial pain for many Americans. What's more, taken to their extreme they have the potential to be economically counterproductive.

Yet without this pain, and the risk this involves, the economic revitalisation of recent years would not have occurred. It is this harsh reality, more than anything else, that has been highlighted this week by this newspaper's series of special reports on the US economy.

As these have argued, the long-running surge by Wall Street is not just a speculative bubble, but reflects the confluence of a number of fundamental strengths. The most important of these is the continued commitment by American companies to bolstering both their competitiveness and their profits.

Gone are the days when the giants of US business were unwieldy bureaucracies driven more by the desire for growth than enhancing the bottom line. Faced with a mushrooming of global challengers, the emphasis has shifted from protecting the interests of the once bloated ranks of middle management to focusing much more on serving the needs of shareholders.

At the same time, this rediscovery by American business of the all-dominating profit motive has helped to spark, yet again, an aggressive push forward by cutting-edge industries — in particular, those in the high-tech computer and communications sectors.

The upshot has been an economy, and a stock market, which have a much more robust hue than has been seen for many years. And while there is certainly no guarantee that the surge in share prices will be sustained, there is little doubt that the corporate strength which lies behind today's stock market strength is genuine, not an illusion.

The price of achieving this, however, has been extensive job shedding and downward pressure on the wages of many. One consequence has been a growing gap between the rich and the poor, a development that not only threatens social cohesion but also carries potentially adverse economic consequences — in particular, the risk of a substantial squeeze on consumer buying power.

At this point in the process of change, neither the resultant inequality nor the reduced purchasing power of consumers has generated costs that outweigh the economic gains which have flowed from the much leaner, more profit-orientated approach to doing business in America.

The hope is that — with more wealth diverted to capital investment rather than consumer spending, and with businesses operating more efficiently — the fruits of the resultant productivity gains will soon start flowing to employees, not just shareholders. Such a development not only makes sense socially, but is also likely to be vital in order to underpin consumer spending, the essential ingredient for sustaining rising profits for many companies over the long, not just the short, term.

Only when this happens will all Americans start to reap rewards from the pain inflicted by the recent restructuring of US industry.

Unfortunately for Australia, to date far too little has been done to face up to the harsh realities of the new competitive challenges of the global economy. By strenuously avoiding much of the pain of economic adjustment we have effectively reduced the chance of getting the gains.

Those who suffered in the recent recession, as well as those who are currently struggling to find work, will no doubt dispute this claim. Yet the reality is that this country's highly inflexible industrial relations system has served to abort much of the economic adjustment process.

At the same time, too little has been done to overhaul Australia's taxation and social security arrangements, with the former continuing to put far too much emphasis on taxing income, and the latter delivering excessive benefits in the form of middle-class welfare.

Until these issues have been addressed, the chance of matching the US success in revitalising its economy will be slim. The longer we continue to avoid the pain of business restructuring, the more severe the eventual economic surgery will have to be.

More on Reaction to Planned Nuclear Tests

Evans, French Envoy Comment

LD0208125195 Melbourne Radio Australia in English 1200 GMT 2 Aug 95

[FBIS Transcribed Text] Australian Foreign Minister Gareth Evans says France has been stung and surprised by international reaction against its planned resumption of nuclear tests in the Pacific. Senator Evans, in Brunei for the ASEAN regional forum, said the French embarrassment was compounded by the turnaround in French public opinion, which also opposed the tests. Senator Evans says the recalling of the French ambassador to Canberra is diplomatic tit-for-tat.

[Begin Evans recording] The Australian and international reaction is starting to sting, so far as France is concerned. The message is clearly getting through. There is no particular justification for the withdrawal in terms of specific grievances. The French Government, as I just said, knew that major defense project bids would be vulnerable. We said as much in the original cabinet announcement on 23 June. [end recording]

Senator Evans is to meet the French minister for European affairs, Michel Barnier, in Brunei tonight. Before leaving Canberra to return to Paris, the French ambassador, Dominique Girard, said France is already aware of Australia's opposition and the nuclear test decision was irreversible:

[Begin Girard recording] My government, among other things, has decided to call me back for consultations, which, as you know, is the way to express your displeasure with another government's attitude. [end recording]

Trade Reprisals Ruled Out

BK0308093395 Hong Kong AFP in English 0920 GMT 3 Aug 95

[FBIS Transcribed Text] SYDNEY, Aug 3 (AFP) — French Foreign Minister Herve de Charette on Thursday ruled out trade reprisals against Australia in the deepening row over French plans to resume nuclear tests.

Asked during an interview with the Australian Broadcasting Corp. if Australia could expect the possibility of trade reprisals from France during the row over the French plans, de Charette replied:

"No, no, I don't think it is a good way."

Franco-Australian relations are at their lowest ebb yet after France recalled its ambassador to Australia for consultations on Tuesday.

This move followed the Australian Government's decision to bar the French aviation company Dassault-Breguet from competing for a contract for jet trainers worth more than 600 million dollars (450 US).

"We have been shocked by the attitude of the Australian government," de Charette said.

De Charette said that he had met with Australian Foreign Minister Gareth Evans who had asked for discussions but that at the same time, the Australian government had used certain words which expressed "hard hostility" against France.

"We want political discussion, we want to explain our position and we have the right to be respected at the minimum by every government in the world," he said.

When this series of seven or eight tests were finished "we definitely stop any nuclear test," de Charette said.

Ban on French Firms Urged

BK0308062895 Hong Kong AFP in English 0610 GMT 3 Aug 95

[FBIS Transcribed Text] Sydney, Aug 3 (AFP) — Australia's state governments are considering a federal minister's call to bar French companies from local projects, but officials said Thursday legal concerns could protect existing tenders worth billions of dollars.

French companies are partners in a number of consortia undertaking or bidding for privatisation and infrastructure projects across Australia.

Defence Minister Robert Ray on Wednesday urged the six state governments to follow his example and exclude French companies from public tenders in protest against the French decision to resume nuclear testing.

Ray on Tuesday barred French-owned Dassault-Breguet from bidding for a contract to supply jet trainers worth more than 600 million Australian dollars (450 million US).

A spokesman for the government of New South Wales, Australia's most populous state, said French involvement in bidding for contracts were being examined. "There is a pretty strong argument in terms of following the federal government's lead, but we have to get advice on the exact nature of contracts that are open for French bidders at the moment," the spokesman for Premier Bob Carr told AFP.

However, the state government would not be able to break legally-binding contracts, spokesman Glen Byres said.

A water-treatment plant project involving French company Lyonnaise des eaux Dumez, for example, was a "done deal," he said.

South Australian Premier Dean Brown told reporters Wednesday in the state capital, Adelaide, that his government would consider excluding French companies from government projects in the future.

But Brown said he was concerned about the possibility of compensation claims if the government acted on contract tenders already underway.

"The advice that has been given to the government so far is that we'd face considerable compensation claims that would have to be paid out if in fact the French companies were removed from the bidding," he said.

French companies are involved in two of the three consortia bidding for the management contract for Adelaide city's water and sewerage services, estimated to be worth 1.0 billion (740 million US) to 1.5 billion Australian dollars (1.1 billion US.

They are Lyonnaise des eaux Dumez and Compagnie Generale des eaux.

Brown said there could be a compensation claim if the companies were excluded at this stage.

"They were invited in to tender ... and having been invited to put tenders in they have incurred considerable expense and they could claim for reimbursement of that expense."

In the southern state of Victoria, the government said it would "actively discourage" French participation in future projects.

However, French partners in existing projects would not be affected, a spokesman for Premier Jeff Kennett told the Australian Financial Review.

The French government-owned power utility Electricite de France is a minority partner in a consortium bidding for United Energy, the first electricity distribution company to be sold under plans to privatise the industry.

The successful tenderer for the company, which has an estimated value of about 1.2 billion Australian dollars (888 million US), is expected to be named on Monday.

French freeway operator Transroute is a partner in the 1.7 billion Australian dollars (1.3 billion US) CityLink motorway project with Australia's Transfield Project Development and Obayashi of Japan.

Transfield chief executive Tony Shepherd told The Australian Financial Review any action against Transroute would be unfair.

"It is a commercial arrangement we entered with Transroute over a year ago. They are bringing a significant amount to this transaction," he told the newspaper.

A spokesman for Queensland Premier Wayne Goss told AFP the government was not aware of any major contracts in that state involving French interests.

French involvement would be reviewed on a case-by-case basis, he said.

Kangaroo-95 Defense Exercise Begins in North

BK3107025695 Melbourne Radio Australia in English 0100 GMT 31 Jul 95

[FBIS Transcribed Text] A large-scale defense exercise, Kangaroo-95, gets underway in full today across northern Australia. The joint military exercise is staged every three to four years and it is the biggest maneuver held by the Australian forces. Elizabeth (Brim) reports 17,000 Australian troops and nearly 1,400 foreign personnel are taking part.

[Begin (Brim) recording] Kangaroo-95 has been designed to test the Australian Defense Forces response to a short warning conflict. The exercise has been underway since January with hostilities developing between the Australian Blue forces and the fictitious enemy, Orange Landers.

In the early phase of the exercise, diplomatic efforts failed to resolve a conflict over resources, leading to military action in which the first shot is expected to be fired this week. The month-long exercise will involve all three Australian services as well as personnel from seven other countries, including for the first time, Indonesia. [end recording]

New Zealand

Reaction to Tests 'Slammed' by French Envoy

BK0308044195 Hong Kong AFP in English 0410 GMT 3 Aug 95

[FBIS Transcribed Text] Wellington, Aug 3 (AFP) — France's ambassador to New Zealand, Jacques Le Blanc, Thursday slammed opposition to his country's nuclear tests, attacking the environmental organisation Greenpeace and what he called Anglo-Saxon attitudes.

In a letter published in the Evening Post here, he said it was a "huge hypocrisy" to present France as a country threatening the world.

In a sharp escalation of the rhetoric since President Jacque Chirac announced France's decision to resume nuclear testing, he said New Zealanders were in on the birth of the atomic age.

He dismissed a New Zealand view that the Mururoa Atoll test site was in its "backyard," saying if this were so "the Middle East would be the "backyard" of France".

His letter said New Zealand and France were on the same side as developed countries believing in democracy, freedom and the right of everyone to be respected.

He said New Zealand Prime Minister Jim Bolger recently launched a new naval frigate and nobody protested.

"So why, all things being considered, can France not do the same?" he asked.

"Since the whole French national defence relies on nuclear deterrence, why should France renounce her nuclear weapons? Why is France not entitled, as well as New Zealand, to prevent its national defence from becoming obsolete?"

Le Blanc said the end of the Cold War did not mean an end to external dangers.

"Barbarity is rising again, and the recent blast in the Paris subway suggests the kind of blackmail — including nuclear — which could come from petty tyrants that the collapse of the previous world order has spawned."

Le Blanc said the anti-nuclear campaign was "relying on wrong assessments, disseminated with complacency by the media".

Previous underground tests at Mururoa Atoll had done no harm and this had been confirmed by New Zealand's National Radiation Laboratory, he said, adding some New Zealanders prefer to accept "lies and misinformation" from Greenpeace.

"But what has Greenpeace done against another nuclear power which has never stopped testing?" he asked, saying countries on the nuclear "threshold" such as North Korea had conducted operations in secret.

He said he respected New Zealanders' anti-nuclear feelings, even though, he added, a scientist from New Zealand, Lord Rutherford, first split the atom, and New Zealand was involved in the British nuclear programme in the area". [quotation marks as received]

The tests were being conducted on islands which have been French as "long as the British have been in New Zealand," he said.

"The French are a popular target in the Anglo-Saxon world," he noted.

"Is it not a huge hypocrisy, an imposture, to present France as a country which threatens the world, and to demonise her? I cannot believe my ears when I hear about "French terrorism" in the South Pacific.

Called 'Blatant Hypocrisy'

LD0308132695 Paris France-2 Television Network in French 1100 GMT 3 Aug 95

[FBIS Translated Text] On to the aftermath of France's decision to resume nuclear testing. The French ambassador in New Zealand has broken his silence and said that the anti-French campaign launched there is based on blatant hypocrisy. He added that the environmental organization Greenpeace is showing a lot of interest in French nuclear tests and not enough in those carried out in North Korea and China, which are just as close to their territory as the French territories in the Pacific. But these are not democracies, the French ambassador said, therefore, they are less sensitive to this kind of campaign.

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